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FBIS-EEU-95-021 *1 February 1995*

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Berisha Views Auschwitz Ceremony, Meetings

AU310'145895 Tirana TVSH Television Network in Albanian 1900 GMT 28 Jan 95

[Interview with Albanian President Sali Berisha by correspondent Vjollca Vokshi in his office in Tirana upon return from Poland; date not given]

[FBIS Translated Excerpt] [Passage omitted] [Vokshi] Through telephone reports from Poland, we learned in our newscasts of your meetings with distinguished European and world personalities in Poland. What news are you bringing from the diplomatic meetings you held there?

[Berisha] Thanks to the excellent organization of these celebrations on the part of the Polish side, we had the possibility of holding numerous bilateral meetings during our stay in Krakow. Of them, I would point out the meeting with German President Roman Herzog.

At this meeting, I thanked and expressed my deep gratitude to the German president for the great assistance that the German Government, institutions, and people have given and continue to give Albania at a very important period in the construction of the market economy and consolidation of democracy, as well as in its integration into European institutions. President Herzog assured me that Germany watches all developments in Albania with special interest and will assist Albania increasingly. We also discussed the ways and means of expanding this cooperation. We agreed that the German president will visit Albania and we appointed 1 March as the day of that visit.

On this occasion, I would like to express my conviction that this is a historic event in the relations between our two countries, which will render a great contribution in developing friendship and cooperation between Albania and Germany.

During my stay in Krakow, I met with presidents Walesa, Iliescu, Zhelev, Kucan, Havel, and Kovac. I also met the Lithuanian, Latvian, and Ukrainian presidents. At all these meetings, the first topic of discussion was undoubtedly the course of the reform in our countries and the possibilities of expanding cooperation at all levels, in the political and economic fields, and in all fields through exchanging delegations, experts, and parliamentary and governmental delegations.

At all these meetings, we agreed to strengthen political and economic cooperation, as well as cooperation in other fields. [passage omitted]

With Presidents Zhelev and Iliescu, we discussed regional issues and problems of bilateral cooperation extensively. The obligations stemming for every country are to contribute to reducing tension and ensuring stability in our region, which unfortunately is experiencing a period of great turmoil at present.

With President Gligorov, we talked about relations between the two countries. I once again reconfirmed Albania's desire and determination to cooperate with Macedonia [The Former Yugoslav Republic of Macedonia—FYROM] and Albania's great interest in the stability in that republic. I also insisted that the human and national rights of the Albanians there should be respected. I expressed my opinion to President Gligorov and continue to insist that the opening of high schools and the university for Albanians in Macedonia undoubtedly serves their participation in and contribution to the stability and prosperity of this republic.

On the second day of my stay there, I met Austrian President Thomas Klestil, with whom I exchanged opinions on how to increase cooperation between Albania and Austria. President Klestil is a distinguished friend of Albania who, even in the past, encouraged cooperation and Austrian investors to come and invest in Albania. He is still working in this direction, and, this year, he will visit Albania.

I also met and held a very positive and fruitful meeting with Mr. Richard Holbrooke, who visited Albania three weeks ago. We discussed the development of Albanian-U.S. relations and expressed pleasure at our achievements in these relations. Of course, we pointed out the possibilities and perspectives and the interest of the U.S. Administration in encouraging U.S. investors and institutions that deal mainly with U.S. investments and investors to come invest in Albania.

We exchanged opinions with the chairman of the Israeli Knesset.

Concluding, I want to thank once again President Walesa and the Polish Government for the invitation and excellent organization of this event.

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Videnov, Russian Envoy Discuss Chernomyrdin Visit

AU3101205995 Sofia Khorizont Radio Network in Bulgarian 1800 GMT 31 Jan 95

[FBIS Translated Text] Prime Minister Zhan Videnov today received Russian Ambassador Aleksandr Avdeyev. The Russian diplomat handed over a personal message from Russian Prime Minister Viktor Chernomyrdin congratulating Videnov on his election as leader of the new Bulgarian government. The message expresses readiness to develop cooperation on an equal rights basis in all spheres of mutual interest.

During their talks, Videnov and Avdeyev clarified details regarding Viktor Chernomyrdin's forthcoming visit to Bulgaria and discussed the main issues on which talks are to be held: economics, foreign policy, and defense. Avdeyev stated the Russian side's readiness to discuss projects in the energy sector, heavy industry, and high technology branches of the economy. They also discussed various aspects of the efforts being made to guarantee security and lasting stabilization in southeastern Europe.

Airline in Crisis, Seeking 'Urgent' Aid

AU3101182095 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 31 Jan 95

[FBIS Translated Text] The management of Balkan Airlines will take steps to overcome the company's serious financial and economic situation. The company will temporarily suspend flights to Singapore, Kuala Lumpur, Djakarta, Copenhagen, Lisbon, Barcelona, and Algiers, while services to Lagos, Accra, and Madrid will become seasonal. Balkan Airlines will also close down some of its foreign representations and offices.

With regard to the company's aircraft fleet, plans are being prepared to purchase planes from a single manufacturer and to reduce the number of types of aircraft in service.

By decision of the Balkan Airlines Board, the company is to restructure by separating ancillary operations. In addition, it plans to combine management units into larger groups and reduce its payroll by 10-15 percent. Balkan Airlines Executive Director Valeri Doganov declared that the critical point has been reached, and from this point on the company needs approximately $67 million in urgent financial aid, which might be provided out of the State Reconstruction and Development Fund.

Interior Minister Views Budget, Corruption

AU3101132295 Sofia BULGARSKA ARMIYA in Bulgarian 27 Jan 95 p 1

[Interview with Bulgarian Interior Minister Lyubomir Nachev by Major Spiridon Spiridonov; place and date not given: "Every State Is Based on Army, Police, and Judiciary"]

[FBIS Translated Text] [Spiridonov] Mr. Minister, what relations do you desire, among the Ministry of Internal Affairs, the Army, and policy?

[Nachev] I will work to establish good harmony and excellent cooperation between the Ministry of Defense and the Ministry of Internal Affairs. Those two departments are two basic supporters of the state and should remain so. I rely on good personal cooperation with my colleague, Vice Admiral Pavlov.

[Spiridonov] The budget is on the agenda now.

[Nachev] I hope that the budgets of the two ministries will provide more means for 1995, because national security is one of our government's priorities. The needs of the two basic departments that ensure national security must be treated as a priority. I say this not only because I will be leading the Ministry of Internal Affairs but also because for as long as the world has existed, every state has been based on the army, the police, and the judiciary. A state or people that cannot guarantee the necessary material and technical conditions and decent wages for those who guard the people's work tranquility can expect nothing good.

[Spiridonov] Do you envisage significant changes in the structures and function of the Border and Internal Troops?

[Nachev] I do not envisage any significant changes in the structure or functions of those exceptionally important services of the ministry. I do not intend to initiate any cadre shocks in those troops. Naturally, certain personal changes are possible but if necessary, they will be implemented after a precise analysis of the work of the relevant units and a personal assessment of their leaders.

[Spiridonov] Would you insist on the National Assembly members' adopting certain normative documents and amendments to existing laws aimed at improving the social status of policemen?

[Nachev] It is not legislative amendments to improve the social status of policemen that are needed, but rather guaranteeing the material conditions necessary for police work. However, I must admit that the police force itself owes something to our society. Unfortunately, there have been more than one or two cases in which officials of the Ministry of Internal Affairs have been convicted for the abuse of their official status and for corruption. Such cases, regardless of how rare they are—and I would like them to be as rare as possible—cast an ugly shadow over the authority of the police and the ministry as a whole. In this context, I will be pitilessly uncompromising toward any employee of the Ministry of Internal Affairs, regardless of whether he is a policeman, a member of the Fire Brigade, the Security Service, the Border Troops, or the Interior Ministry Troops, who sullies the name and dignity of the ministry's employees and the honor of an officer.

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Agriculture Minister Wants Land Act Amended

AU3101183695 Sofia Khorizont Radio Network in Bulgarian 1600 GMT 31 Jan 95

[FBIS Translated Text] At his first news conference today, Agriculture and Food Industry Minister Vasil Chichibaba declared that the Land Act has to be amended with regard to the cooperative farm liquidation councils. The chief priorities in the Agriculture Ministry's work will be to accelerate farmland restitution and continue the privatization process in agriculture and the food industry. An immediate task for the ministry is to guarantee the spring crop sowing, the minister said.

Zhelev Said Planning His Own Security Service

95P20434A Sofia 168 CHASA in Bulgarian 9 Jan 95 pp 13, 20

[Article by Zoya Dimitrova: "If It Respects the Law, the BSP Government Will Restrict Zhelyu Zhelev's Access to the Information He Currently Receives: The President Is Preparing His Own State Security"]

[FBIS Translated Text] **Chavdar Chervenkov nominates himself as chief of the "Intelligence Community." Stefan Dimitrov, the chief of counterintelligence, reports operational information personally to Zhelyu Zhelev, although he does not have the authority to do so.**

"There was no such conversation." So Rumen Danov, the president's national security adviser, told 168 CHASA on 5 January, referring to the assertion in DUMA that the caretaker cabinet was considering unifying the information sections of the security services and transferring them to the president. Rumen Danov further specified that he did not participate in Zhelyu Zhelev's meeting with BSP [Bulgarian Socialist Party] leader Zhan Videnov at which Videnov reportedly said that this project was "completely unacceptable." According to Rumen Danov, this publicizing was a testing of public opinion by the BSP.

"The priority recipient of information from the security services should be the government, not the president; naturally, this does not imply that the president should be deprived of such information," Krasimir Premyanov of the BSP explained to 168 CHASA, while he avoided casting suspicion that the conversation had taken place.

The president's advisers have reason, perhaps, to show some discretion with respect to certain unrealized presidential ideas. The mystery, however, about the constant efforts of the president to establish a center for operational information subordinate to "Number 2 Dondukov Street" [president's office] has fostered the impression that he desires the amalgamation of the security services as a benefit not so much for the state as for his own power. And because of the danger that they could cause certain people.

Information From the Security Service—In One Fist

The first attempt to bring together the information from the services is presidential Decree No. 63 dated 5 March 1992, which was not published in DURZHAVEN VESTNIK. In this decree, a consultative group of experts on problems of energy, raw materials, and national security was established. General Stoyan Andreev, who was then presidential adviser on national security, was appointed group chief. The group concerned itself mainly with national security. Neither the parliamentary deputies nor the government were informed of the group's founding or of its decisions. The idea was for the group to ensure direct contact between the chief of state and all the intelligence services.

The group ceased its activity in the summer of 1992.

The structure of the group was replaced by a new one. The longtime presidential Consultative Council on National Security worked outside the law. It was not until 28 January 1994 that the 36th National Assembly legalized its existence. The difference is that, until its legal recognition, the chiefs of the security services regularly participated in the Council. From January 1994 on, parliament deprived the president mainly from direct contact with counterintelligence, since it indicated exactly who could be members of the Consultative Council. The president could have contact with the security services which were not under his jurisdiction (National Security Service, Central Service for the Struggle against Organized Crime, National Police, military intelligence, military counterintelligence) via the ministers, who were their direct leaders, or through the prime minister.

The "Intelligence Community" project is the third idea so far during the president's term with the goal of uniting information services from all the security services and from the ministries of finance and of foreign policy in the presidency where, and on the basis of which, administrative decisions would be made. This project has existed since the end of 1992 or beginning of 1993.

The Game With the President's People

Already a month ago, on 29 November 1994, at a meeting with journalists, Minister of Internal Affairs Chavdar Chervenkov said that he had fallen from the director's seat at military intelligence because of his suggestion of a common center of the specialized services. Chavdar Chervenkov was relieved by Prime Minister Lyuben Berov in late spring 1993. At the time, "Number 2 Dondukov Street" sent the "Intelligence Community" project around for comments by the departments involved, and personal copies to the president's people within the departments. Petko Angelov, the MVR [Ministry of Internal Affairs] secretary general sent the president the affirmative position of the Ministry of Internal Affairs via the chief of the then-minister of internal affairs, Viktor Mikhaylov, but without Mikhaylov's knowledge. This is, perhaps, one of the reasons why Petko Angelov believed that he would remain secretary also during the caretaker government. His dismissal came as a great surprise to him.

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"This is not the time for such a center," Minister Chavdar Chervenkov declared to journalists in his own peculiar style of putting forth the opposite point of view from the one he actually holds. He did not communicate the fact that he personally retrieved and supplemented the "Intelligence Community" project, since it placed him in the position of chief of the community.

A few days before the caretaker cabinet of Reneta Indzhova assumed power, the president invited the counterintelligence chief, Stefan Dimitrov, and posed the following question to him: "Why don't you tell me about the situation in the country?" Colonel Stefan Dimitrov was perturbed. First of all, he knew that the law forbade him, as chief of counterintelligence, to inform the president directly, since information had to be channeled through the minister of internal affairs. Second, he was sending the president bulletins containing operational counterintelligence information on a daily basis. Such bulletins were also being received by the prime minister and the chairman of the National Assembly. The three of them also got similar information from the National Intelligence Service. Neither the president, nor the prime minister, nor the chairman of the parliament was deprived of such information by the security services. The information was dispatched with a cover sheet reading "personal, strictly secret;" therefore, there was no doubt that the addressees were the people who read it. Besides, the president had never once expressed the view that the security services were withholding information from him.

The substance of the president's question was: Why wasn't he being informed personally about the situation in the country? But the president had no right to make such a request. The law did not grant that to him.

Colonel Stefan Dimitrov reported to the then-minister of internal affairs, Viktor Mikhaylov. The minister's reaction was to follow the law.

During the mandate of Reneta Indzhov's caretaker cabinet, Colonel Stefan Dimitrov, a disciplined officer, nevertheless began to inform the president personally. This was done with the consent of Minister of Internal Affairs, Chavdar Chervenkov. In order to observe some kind of formality, however, the internal affairs minister put his signature on the counterintelligence documents.

It is a public secret that, already in 1990 during Andrey Lukanov's government, Counterintelligence officer Stefan Dimitrov, acting under the orders of Pencho Penev, minister of Internal Affairs back then, and at the request of the president, took the operational file of Petur Beron [prominent opposition figure at the time] to "Number 2 Dondukov Street." This file served to destroy Petur Beron as a politician and demonstrated the kind of power information has.

The unofficial meetings of the president with the counterintelligence chief explain, to a certain extent, why Minister Chavdar Chervenkov did not find the time to recommend the dismissal of Colonel Stefan Dimitrov.

A Conflict or a War?

"The BSP will insist that the stipulations in the law on the receipt of information from the security services be observed. These stipulations ensure the sufficiency of the administration of the state," says Krasimir Premyanov. "It is out intention to establish a system for automatically distributing data from all the services. We are against the existence of consultative organs at the presidency in which the chiefs of these services participate. The body that could use the information constantly in the exercise of its decisionmaking and other activities is the cabinet government. A Consultative Council does not have these functions. I am not saying, however, that the president should be deprived of the information."

If the BSP government applies the law strictly, it will deprive the president of the information that he currently receives. No Bulgarian government would allow the president to be the center of administration in the country since he is not that according to the Constitution.

Many professionals are also opposed to the concentration of intelligence information in a single center. This center would be difficult to control. Information could be manipulated there.

Is the president reviving the spirit of the State Security [pre-1990 security organization]?

On 6 January, OTECHESTVEN FRONT wrote: "The struggle for secret information begins before the red cabinet takes power." It is certain that the future government, elected by parliament, will not escape conflict with the president concerning the centers of information power.

The majority expect a war between Zhelyu Zhelev and the BSP government about intelligence information. The curious thing is that the roles are reversed: the democrat Zhelev pursues authoritarian goals, while the BSP cabinet will plea for democracy.

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CR Becomes EU Associate Member 1 Feb

LD0102124495 Prague Radiozurnal Radio Network in Czech 1100 GMT 1 Feb 95

[FBIS Translated Text] The Czech Republic became an associate member of the European Union today. The association agreement between the Czech Republic and the European Union is regarded as a step toward full membership in this European organization.

Klaus on Opening Up to Europe, Liberalizing Trade

LD3101193095 Prague Radiozurnal Radio Network in Czech 1717 GMT 31 Jan 95

[Interview with Prime Minister Vaclav Klaus by correspondent Miroslav Konvalina on 31 January; place not given—live or recorded]

[FBIS Translated Excerpt] [Passage omitted] [Konvalina] Let us talk about the Davos problems discussed by the politicians. U.S. President Bill Clinton, in his message to the World Economic Forum in Davos, warned against the consequences of creating large regional trade blocs in Asia, Africa, and Europe. Do you share these worries?

[Klaus] I think I fully agree with President Clinton because our interest—and that is what I always say—is in opening up to Europe, but, when we recited the slogan about opening up to Europe or going back to Europe, we always had in mind opening up toward the world as a whole. This means that any opening up, any liberalization of trade between us and let us say Poland or Slovenia are good and positive things, only under one condition—that they are stepping stones, just intermediate steps on the way to the basic aim. We do not merely want liberalized trade with Slovenia—I will be talking about that with Prime Minister Drnovsek in Davos on Sunday—but also truly liberalized trade with the whole world. It was not by chance that I discussed this with the Thai deputy prime minister in Davos. We are preparing a big initiative, which could mean a breakthrough in our Asian relations in that Thailand could become the first country with which we will conclude an agreement on free trade. So, if we see all this as a step toward the main aim, it is good. [passage omitted]

[Konvalina] You talked recently several times about the future of Europe. Tomorrow, our association agreement with the European Union comes into force. Do you not miss on our political scene a deeper discussion about what kind of European Union we want to enter. There are a number of contradictory views about the future of the EU in the European Union itself, among the 15 member countries.

[Klaus] The question of whether or not I miss this discussion: I think that in certain media there is a discussion of this type, not necessarily on the front pages but on the fifth or seventh page. [passage omitted] Now we are beginning to be seen and heard more in Europe, and I think that the chance in Davos and particularly the chance in the Council of Europe yesterday was seen and heard, and I think it is up to us to use this.

[Konvalina] Thank you for the interview.

Israel Wants 'Explanation' of Nuclear Supplies

AU0102074495 Prague MLADA FRONTA DNES in Czech 30 Jan 95 p 1

[Article by Jaroslav Kmenta: "Israel Would Like an Explanation Regarding the Supplies From Plzen"]

[FBIS Translated Text] Prague—Skoda Plzen's negotiations on supplying parts for the nuclear power plants in Ukraine and Russia have aroused Israel's concern that Czech industry is participating indirectly in building up Iran's nuclear potential.

A year after Israeli Prime Minister Yitzhaq Rabin asked Foreign Minister Josef Zieleniec to halt the export of nuclear technology to Iran, diplomatic sources say that the Jewish state has asked Prague for an explanation of Skoda Plzen's activities. That is to say, the Israeli security services suspect that nuclear technology from Plzen could reach Iran via Russia

Skoda's nuclear engineering division is now holding negotiations on supplying upgraded parts for the nuclear power plants in Ukraine and Russia. Israel points out, however, that the Russian Atomic Energy Ministry has concluded an agreement with Iran on completing the reactor in Bushehr in the Persian Gulf.

The world powers are concerned that Iran could abuse nuclear energy to produce nuclear weapons.

However, diplomatic circles in Prague consider—at the moment—Israel's concerns to be exaggerated. "We do not have the least bit of evidence that a Skoda-Russia-Iran chain is in operation," declared one of the diplomats. Skoda Plzen even considers the reports about Russia's intermediary role to be nonsense. "Until Iran concludes its legislation on nuclear-energy technology, it will not be in Skoda Plzen's interest to conduct further negotiations on the possibilities for supplying certain components," said Frantisek Svitak, the deputy director of Skoda Nuclear Engineering.

The German company Siemens started to construct the nuclear power plant in Bushehr in 1975, but it had to withdraw from the project four years later on the orders of the German Government. Later, after Skoda Plzen's similar withdrawal, the $1.0-billion contract was won by the Russian Federation.

Government Subsidizes Minority Periodicals

AU3101135595 Prague LIDOVE NOVINY in Czech 27 Jan 95 p 1

[Article by "mot": "There Are No Problems in Coexistence With Minorities, Minister Nemec Claims"]

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[FBIS Translated Text] Cesky Tesin—The Czech Government has allocated from the government's budget reserve 23.51 million Czech korunas in subsidies for the press of ethnic minorities.

This was announced by Minister [Without Portfolio] Igor Nemec after yesterday's meeting of the Council for Ethnic Minorities in Cesky Tesin. The Polish minority publishes three periodicals in the Czech Republic, the Slovaks, Germans, and Romanies two periodicals each, and the Ukrainians and Hungarians one periodical each.

According to Nemec, the government will no longer grant subsidies to institutions except on the basis of invitation of bids. Contracts on the transfer of subsidies will be concluded by the Ministry of Culture with individual publishers.

"There do not exist any bigger problems in coexistence with ethnic minorities," Minister Nemec said. The most numerous ethnic minority in the Czech Republic are Slovaks. While their exact number is not known, estimates speak about 300,000 citizens. The second place is probably held by Romanies. Even though only 33,000 people declared themselves to be Romanies during the last census, in reality up to 300,000 of them live in the Czech Republic. The Polish minority in our country consists of 60,000 citizens, the German minority of 48,000, the Ukrainian minority of 12,000, and the Hungarian minority of 10,000.

Regarding restitution of property to prewar Polish minority organizations, Nemec said that, although the government has not discussed this issue, it is not possible to move the restitution deadline before 25 February 1948 [day of communist takeover]. Demands for the restitution of private property filed by ethnic Germans who are citizens of the Czech Republic must be decided by the Constitutional Court, Nemec said.

Campaign Financing Reform Proposed

95CH0097A Prague PRAGUE POST in English 3 Jan 95 p 1

[Article by Victor Gomez: "Party Scandals Prompt Calls for Financing Law"]

[FBIS Transcribed Text] A new crop of political financing scandals has prompted fresh calls for campaign funding reforms—the same kind of calls that went virtually unheeded when they came up during the last set of scandals.

But some are hoping that the recent attention focused on the issue by the fund-raising dinner held by the leading Civic Democratic Party (ODS), at which it accepted donations from state companies—together with the more recent revelations of one bank's relationship to two other government coalition parties—could provide impetus for changes to the law.

The government has already begun preparing a proposal that would bar state companies from contributing to party coffers. It is expected to be given to parliament by the end of January.

The proposal passed through the cabinet only after heavy pressure came to bear on the ODS from the public and two smaller coalition parties—the Civic Democratic Alliance (ODA) and the Christian Democratic Union-Czech People's Party (KDU-CSL).

Now those two parties are fending off accusations of improprieties in their own methods of securing financing.

The arrest of Antonin Moravec has brought to light millions of crowns worth of loans that his bank, Kreditni a prumyslova banka, gave out to the ODA and the KDU-CSL.

While the law does not compel parties to report loans in their annual budget statement to parliament, many believe that, in the case of the ODA, a 52 million Kc loan was paid off by another firm in a complicated cash swap. The party's total reported gifts for 1992 were around 50 million.

Moravec's lawyer, Oldrich Chodera, has said that he believes that a firm called Marklap was set up specifically to pay off the ODA's debt to Kreditni a prumyslova banka.

Marklap's lawyer was Michal Macek, who is also a long-time friend of Jan Kalvoda, the ODA party chairman. Macek is now in police custody on suspicion of falsely registering the Marklap firm's base capital at 52 million Kc and then selling that firm to Kreditni a prumyslova banka.

The bank's loan of 20 million Kc to the KDU-CSL has also come into question as speculation increases over the party's connection to the bank. Moravec ran for federal parliament as a KDU-CSL candidate in Czechoslovakia's 1992 elections, but failed to win a seat. The loan has yet to be repaid.

There have also been questions about possible ties between the KDU-CSL and other firms owned by Moravec.

At a December 22 press conference, party chairman Josef Lux rejected the existence of any formal ties.

"At that time (in 1992), Mr. Moravec had our trust, just as he had the trust of many others," said Lux. "Of course, we will pay back the loan in a completely normal manner."

More significant, perhaps, is parliament's unwillingness to enforce the current set of financial laws. Under the law, political parties are funded from the state budget, their own fundraising activities and financial "gifts" from donors.

Every year, each party must file a report with parliament and the Supreme Auditor's Office by April 1 that includes detailed information about party financing and lists the names of donors who contributed more than 100,000 Kc during the course of the year.

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Although the reports are required by law, the past two years have seen most political parties fail to provide full and complete information on financing. This year, the ODA directly refused to give names of its foreign and domestic donors in its report.

If parties continually fail to provide complete information on their financing, parliament can cut off whatever state contributions the party receives. This has yet to happen. Parties receive money from the state budget according to the percentage of votes they secured in the most recent elections.

Each time it was revealed that parties broke the law, politicians promised stricter enforcement in the near future. The first time violations were reported in November 1993, parliament members said a new financial bill was expected the next January. When a majority of parties failed to fully report their incomes in April 1993, officials said a bill on financing was still winding its way through parliament committees. None was ever passed.

Opposition politicians and analysts have pounced on the recent financing scandals as proof of the need for tougher laws.

In a December 21 editorial, LIDOVE NOVINY columnist Istvan Leko wrote that even if the parties are innocent of wrongdoing, "the lack of strict laws on financing political parties and conflict of interest" makes any defense against such accusations difficult.

Jaroslav Ortman, chairman of the Left Bloc party, said the recent public skirmishes are proof that a broader party-financing law is needed.

"I think this is all quite a disgrace," he said.

Ortman said political parties should be funded from their own member contributions and the state budget—but definitely not with money from state companies.

In his December 23 weekly column interview published in LIDOVE NOVINY, Prime Minister Vaclav Klaus played down the recent scandals, saying changes to the law are "a continual process" that shouldn't be overexaggerated.

"We are in a real world, not in some laboratory vacuum," Klaus wrote. "We are in a world of flesh-and-blood people, where various things are played out, some of which aren't so good."

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HZDS Opposes DU Statement on Media

LD3101134295 Bratislava Rozhlasova Stanica Slovensko Network in Slovak 1100 GMT 31 Jan 95

[FBIS Translated Text] Yesterday's statement by the Democratic Union [DU] on the media is understood by the Movement for a Democratic Slovakia [HZDS] as being intentionally misleading to the public.

According to the HZDS, DU is trying politically to defend the incorrect actions of President Michal Kovac in answering the letter of William Orme.

The statement by the HZDS further stresses that it was the government of Jozef Moravcik that tried to gain control of the media when it proposed changing the Radio and TV Broadcasting Council from an independent institution into a central state body, subordinated to a government power. It was the new coalition government that solved this undemocratic resolution after coming to power, the HZDS statement stresses.

Daily Views Contradictions in Meciar Statements

AU3101132095 Bratislava NARODNA OBRODA in Slovak 27 Jan 95 p 3

[Commentary by Jan Fuele: "Will Meciar Concur With Meciar?"]

[FBIS Translated Text] We have witnessed two Slovak worlds this week. Prime Minister Vladimir Meciar presented the first one abroad, while deputies presented the second in parliament. This contradictory situation culminated in Budapest on 25 January when the prime minister, because of what he said, placed himself in conflict with the government's policy statement.

In their endorsement of the government's policy statement, the coalition deputies, for example, rejected our declaration on respecting the Charter of Regional Self-Administrations, rejected all proposals referring to a different territorial-administrative division, and supported a proposal for the adoption of a law on a state language. However, in Budapest, the two sides agreed to sign the Council of Europe's convention on the rights of ethnic minorities. This very signature will probably force the governing coalition to give very serious thought, for example, to a different proposal for territorial-administrative division, to an alternative education system for the ethnic minorities, and to talk not about a state but, rather, about an official language.

For this price, which cannot seem exorbitant to the soberly thinking supporters of our admission into the European Union, Slovakia will receive guarantees on the unchangeability of our common borders, and the Slovaks living in Hungary will also get new rights. Aside from this, the admission of either of the countries into the European Union is impossible without a Slovak-Hungarian settlement.

The rhetoric used by Gyula Horn and Vladimir Meciar was remarkably attractive; however, our domestic reality is much less attractive and optimistic. If the two governments draft and sign such an agreement, ratification in parliament still awaits it—in the same parliament that, just a few days ago, rejected a formulation almost identical to the one that should be contained in the text of the future treaty. True, Vladimir Meciar, by exercising his authority, will probably manage to persuade his deputies to alter their January stance for the sake of such a desired treaty, a treaty that, so far, no post-November [1989] political team has been able to conclude. However, it is highly unlikely that the Slovak National Party deputies will be able to vote for the treaty's ratification. Such a stance may also be the start of a crisis within the coalition.

Vladimir Meciar is in an unenviable situation these days. At home, he won a not insignificant percentage of votes by accentuating his uncompromising stance on the issue of the Hungarian minority in Slovakia and the protection of the rights of the Slovaks living in southern Slovakia. His uncompromising stance will have to be replaced with compromises because that is just the way it is when two people are concluding an agreement. But, first, Vladimir Meciar will have to concur with Vladimir Meciar. The Slovak prime minister has to decide which course to embark upon—the one he started at home after the elections or the one he embarked upon this week during his visits to Brussels and Budapest.

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Bekesi Presents Bill To Privatize State Assets

LD3101195795 Budapest Kossuth Radio Network in Hungarian 0817 GMT 31 Jan 95

[Speech by Finance Minister Laszlo Bekesi to parliament regarding the bill to privatize state assets—live]

[FBIS Translated Excerpt] [Deputy Speaker Mrs. G. Nagy] Esteemed Chamber: Now follows the general debate on the bill regarding the sale of state assets. [passage omitted] I give the floor to Finance Minister Dr. Laszlo Bekesi.

[Bekesi] Esteemed Chamber, Fellow Deputies: Extremely lengthy preparatory work has preceded today's parliamentary debate. [passage omitted]

In the present situation it is impossible to create a perfect bill. We must content with a relatively good one. I am convinced that the bill in front of you outlines rules that more or less guarantee an equilibrium in short- and long-term state interests of extreme diversity, equality of opportunities for investors, and, to some degree, social justice as well. [passage omitted]

The most important objective of the bill on the sale of state assets and companies under state ownership is to complete privatization of state institutions by 1998. However, completion does not mean that by the end of 1998 we want to sell everything down to the last nail in this country. This would make no sense from both an economic and a constitutional point of view.

Let us look at the legal side of the matter: Half of the country's public assets belong to the local governments. Since 1990 the government has no direct power of disposal over these assets, the value of which was estimated by experts to be 3 trillion forints. And this is right and proper. [passage omitted]

What is the economic message of the privatization strategy submitted here? [passage omitted] I would like to point out most categorically that there is no question of selling all the state property within four years. There is rather a wide spectrum of assets that do not at all, or only partially, belong to the sphere of competition—such as the MAV [Hungarian State Railways], the post office, military factories, state farms operating on nature reserves, state forests, etc. We do not plan fundamental changes of ownership in these spheres. The bill before you wishes to regulate the privatization of the real competition sphere. This is the area where the government wishes to speed up privatization.

The fundamental feature of Hungarian privatization in the past four years has been that state assets are not for distribution but for sale. This principle was correct. However, it was heretofore only partially enforced. [passage omitted]

It is our resolute intention to see the revenues from privatization be used first of all to reduce state debt. We have no other choice. The state assets mainly constitute the security for the accumulated debt. If we were to cover our debts exclusively from the revenues to be generated in the future, we would have no resources left for development or for improving social circumstances. [passage omitted]

I would like to state unequivocally to the National Assembly that when the government talks about speeding up privatization, it formulates this as a general guiding principle for the preparatory work, and does not mean that individual privatization transactions have to be executed hastily. [passage omitted]

Over the past months, both opposition and government have voiced their criticism, saying that privatization has been at a standstill ever since this government came to power. It is my duty to inform you that from a certain point of view the situation is far worse than this. Privatization is not at a standstill but going in the wrong direction.

I have just received the final figures for 1994. These show that the nominal value of revenues from privatization in 1994 was not much h[illegible]d the 1993 record. [passage omitted]

However, the problem is that in 1994 privatization dramatically shifted to using preferential credits and privatization coupons for payment. Last year the rate of currency revenues had not even reached 10 percent. In 1993 this rate was 67 percent, and the rate of revenue from cash payment by Hungarian purchasers was approximately just over 10 percent. All the rest of the revenues came made up from credit and privatization vouchers. Another successful year like this and the country will be crippled. [passage omitted]

We can learn a lesson from the experience of the past four years: We should decide in what activities and companies the government wants to maintain its right to intervene. In these cases, if possible, the state and private capital should not enter into a partnership; if this has already taken place in some companies, it should be discontinued.

Naturally, it is possible and necessary to have Hungarian small investors obtain a share in companies, in addition to the domestic or foreign private investors. It is also a good idea for the state to retain a minority interest in companies of great value for investment purposes.

We do not have to sell everything sellable immediately; this is a good principle. However, if there is a purposeful professional investor the state should refrain, if possible, from constant bargaining for the sake of implementing real or presumed aims of the industry in question. It [the state] is either in a majority or a minority position. [passage omitted]

Esteemed Chamber: The government's four-year privatization strategy and the privatization bill lying in front of you prefers privatization for cash. It is evident, however, that without restrictions this principle can be

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applied only to a series of large-scale companies that can be sold to—and we want to sell to—solid international companies. It would be a sin if we did not do this in this gamut.

We are aware of the fact that in most cases the privatization of medium and small companies still under state ownership is unimaginable without various forms of support. It is certain that in the future there will not be buyers paying with 100 percent cash for companies that have not sold in the past four years even after a number of attempts. This is the gamut where there will be a need and opportunities for start-up loans, leasing, compensation vouchers, buy out by managers or staff, and payment in installments.

In the case of the major public utility companies—there are 10-15 of them—and four or five processing-industry companies of national significance—the speed and success of privatization depend first and foremost on how control, organizational, and other regulation issues will be sorted before the privatization. This is not a privatization but a regulation issue. To put it another way: In this gamut everything depends on the supply and the relevant [word indistinct] conditions that can and must be set by the state.

In the range of the medium and small companies—this includes about 600-700 companies—the speeding up of privatization largely depends on the demand. [passage omitted]

We can see a special depreciation taking place in privatization buy-outs. This is only apparent, however, since in most cases the previously overvalued state assets are finally sold at their real value in the various transactions. [passage omitted]

The most important and painful lesson of recent years was that the market value of a company for sale is never determined by the quality of its machinery, organization, and management but rather by the potential buyer's view on the viability of the whole of the Hungarian economy, the stability of the government and the forint, the growth of the gross domestic product, and so on. In other words, buyers buy not companies but market. This is true of every Hungarian company and thus of the HungarHotels too. [passage omitted]

Esteemed Chamber: The government will complete the compensation process started by the previous government for the sake of legal continuity. We consider it of great importance for the process of compensation not to be interrupted. We are looking for a solution that would enable us to complete the exchange of the majority of compensation vouchers for property, land annuity, etc. by the end of 1995.

We will create wide-ranging offers for the compensation vouchers, and guarantee that all those who were given compensation vouchers or had to accept them at face value in exchange for property or assets, will be able to exchange their coupons at a proper rate and price for shares, bonds, or other assets.

During the course of further privatization in the food industry, special attention will be given to involving the cooperatives and cooperative associations. [passage omitted]

The secondary compensation voucher market has to be maintained by way of strengthening the trust of the capital market in the compensation vouchers and ensuring that those who wish to sell their compensation vouchers on the capital market are able to do so at a price established on the open stock markets. The government is striving to create a relatively large and valuable offer for those to be compensated within a short period of time. This offer will contain the following:

First: 10 to 15 percent of the shares of new or reorganized companies set up in the wake of the combined restructuring and privatization of the electricity industry—about 60-80 billion forints—can be used for compensation purposes.

Second: Minority shares can be sold for compensation vouchers. [passage omitted]

Third: In most sales of asset shares offered at public auction, 10 to 50 percent of the purchase price can be paid by compensation vouchers. A higher rate than this can be applied mainly in the food industry field if compensation vouchers accumulated from the sale of land are used for the purchase.

Esteemed Chamber: In keeping with Law No. 10 of 1992, the social insurance self-governments are entitled to proceeds from the state assets free of charge. [passage omitted]

According to current law, the transfer of assets should have taken place by 31 December 1994. I inform the parliament that, although it was impossible to meet the said deadline, the government and the two privatization organizations earmarked a significant bulk of assets for transfer to the social insurance self-governments in the second half of 1994. [passage omitted]

However, it can be safely said that instead of the originally planned assets at the unrealistic value of 300 billion forints, at the most, an asset transfer to the tune of 120-130 billion forints could be realized. Any assets larger than this transferred would endanger both privatization and the capital market.

Esteemed Chamber: An important aim of the bill is to lay down, in one comprehensive unit, the basic principles of privatization policy, privatization techniques, and the financial means facilitating privatization. Thus, the bill on privatization does not contain complex and separate rules of procedure. [passage omitted]

The bill standardizes the organizing of privatization and cancels the earlier practice of the various privatization organizations'—organizations such as the AVU, the

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AVRT [expansion unknown], the State Assets Management Company, and the various ministries—following different privatization procedures. In the interests of this, the bill proposes the setting up of a merged organization called the State Privatization and Asset Management Joint-Stock Company [Allami Privatizacios and Vagyonkezelo Reszvenytarsasag; APV Rt]. The new bill sets out from the principle that the state assets are homogenous, and that the ownership rights are exercised by the National Assembly and the government. The ministries, apart from a few well-argued exceptions, do not have ownership rights. [passage omitted]

The bill represents a position of compromise: While it concentrates significant rights of responsibility and decisionmaking in the hands of the APV Rt, it at the same time creates opportunities for the ministries to enforce their interests also. [passage omitted]

Passage No. 2 of the bill lists in nine points the basic goals of privatization and the prime economic policy considerations of privatization. These privatization goals are principles that must be present throughout the course of privatization. Let me highlight some of these goals: Technical development, increase in capital, import of know-how and marketing experience, support for domestic entrepreneurs and importers, development of the domestic capital market, protection of existing jobs and creation of new ones. [passage omitted]

Of the nine points, I would highlight improving the efficiency of the economy, partly with the involvement of working capital and partly with the import of high technology, management, and marketing experience. A change in the economic structure is necessary to achieve efficiency. This change correlates closely to the reorganization of the economic organizations.

A separate point in the second passage deals with employment policy, which has to be taken into consideration to a greater extent in future privatization deals.

The modernization of the economy requires foreign investments since that is mostly how we can obtain access to capital and appropriate techniques. There are two new elements on foreign investors in the second passage: the emphasis on the significance of strategic professional investments and on the companies or funds (?whose aim it is to invest).

Esteemed Chamber: Until privatization is completed,it is expedient to have a compromise system in the circle of large-scale companies with a strategic importance whereby a part of the ownership rights is exercised by the APV Rt on the basis of the expert proposals of the branches of industry. [passage omitted]

Should the government see a possibility for privatizing a company partially or completely by 1998, or for reducing the state's existing share in ownership, it would be expedient to set up an ad hoc committee within the APV Rt to carry out the transaction. Officials of the relevant ministries must be involved in this committee. [passage omitted]

If possible, we intend to sell, to foreign investors for cash according to the procedure that has been customary in the AVUe, companies that employ more than 500 people but are not of strategic importance from the viewpoint of the Hungarian economy as a whole. Short of a buyer who intends to pay by cash, the undertaken amount of capital increase must also be taken into consideration.

Small and medium-sized companies where the basic capital does not exceed 600 million forints and the number of full-time employees is below 500, are authorized to work out the company's privatization program with the involvement of an expert and complying with the principles laid down in the law. The APV Rt will publish the list of these companies. Within a specified period, any investor can buy the company for cash from the APV Rt, considering the book price a starting point. [passage omitted]

If management and the employees secure a majority—50 percent plus one vote—in the company, the state will transfer the remaining shares to the company without recompense.

Esteemed Chamber: Bodies for the protection of employees' interests should be informed about the development of privatization when the privatization concept of the relevant branches of industry is drawn up, when tenders for the sale of the companies are invited, and in the process of evaluating the tenders before the decisionmaking on the privatization deal. After suitable coordination on these issues, the APV Rt will take the opinion of the interest representation bodies into consideration. [passage omitted]

In the interest of speeding up privatization and making it more efficient and transparent, the bill says the state's share should be sold to the highest bidder. However, measures to be taken for technical development, employment opportunities, or prevention of environmental damage may be given preference to a higher bid, except in the cases of payment in cash or sale at the Stock Exchange. [passage omitted]

Payment in cash and stock exchange operations head the privatization techniques, followed by the preferential privatization techniques: Purchase in installments and privatization leasing.

The bill seeks to assert industrial policy, agricultural policy, and infrastructural and environmental protection interests in the course of privatization. [passage omitted]

In the privatization process, all interests—technical development, employment, environmental protection—should be considered in the individual cases. This, however, must not bring about the failure of a privatization deal and must not slow down the processes.

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Esteemed Chamber: The bill is based on the principle that the privatization has to be completed at our manufacturing, trade and service companies, and commercial banks in the next three to four years, otherwise the majority of our companies will lose their value or go bankrupt. [passage omitted]

We have a joint goal and responsibility. Let us please us conduct the debate in light of this. I thank you, esteemed Chamber, for your attention.

Army Discharges 18,000 Soldiers

LD3101204395 Budapest MTV Television Network in Hungarian 1830 GMT 31 Jan 95

[FBIS Translated Excerpt] Eighteen thousand soldiers were discharged in Hungary today. Due to army reforms, they have served for only 11.5 months. Although the reduced service has a positive effect on the Army's budget, it adds to the problems of the Ministry of Labor, since almost half of the newly discharged soldiers are unemployed. [passage omitted]

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Byczewski on Departure From Foreign Ministry

LD3101214495 Warsaw TVP Television Second Program Network in Polish 2000 GMT 31 Jan 95

[Relayed by Warsaw TV Polonia Network]

[FBIS Translated Text] [Presenter Bozena Targosz] Deputy Minister of Foreign Affairs Iwo Byczewski, who after the dismissal of Andrzej Olechowski filled the post of head of the ministry, has resigned. He gave as the main reason the lack of a favorable atmosphere within the government, which in practice makes impossible the implementation of Polish foreign policy. Deputy Minister Byczewski also criticized the activity of the Sejm Subcommission for the reorganization of the Ministry of Foreign Affairs. Commenting upon the statement by Longin Pastusiak, who accused Ministry of Foreign Affairs officials of destabilization of the political stage, the deputy minister said:

[Begin Byczewski recording] I think that this building, this office, can be accused of everything, but not of destabilizing the political stage. It seemed to me that we were always an oasis of calm, an oasis of stabilization. It is nevertheless a matter of regret that it was not possibe to bring to a conclusion the reform that was commenced by Minister Ananicz, who is present here, and that was later continued by Secretary of State Kozminski, a reform that was to be based, after all, on the separation of the political sphere from the profesional sphere. Then we would not have had these sorts of troubles. [end recording]

[Targosz] For his farewell, Deputy Minister Byczewski received a fountain pen, and the office chair in which he sat for four years.

Daily: Szeremietiew May Be New Foreign Minister

LD3101232895 Warsaw Third Program Radio Network in Polish 2300 GMT 31 Jan 95

[FBIS Translated Text] [Announcer] GAZETA WYBORCZA today [1 February], citing what it has called two independent and very credible sources, claims that the portfolio of minister of foreign affairs is to be taken over by Romuald Szeremietiew, of the right-wing Movement for the Republic [RdR], and the portfolio of minister of defense will be taken by Professor Janusz Ziolkowski, hitherto head of the presidential chancellery. According to the paper, Prime Minister Pawlak did not agree to the candidature of Szeremietiew with the leadership of the Democratic Left Alliance [SLD]. SLD deputies also claim thatr they do not know anything about the prime minister's candidatures. Jerzy Szmajdzinski, secretary general of the the Social Democracy of the Polish Republic [SdRP], asked by GAZETA WYBORCZA what will happen if it transpires that the prime minister has indeed put forward a candidate without consultation with the SLD, replied: This would mean that the prime minister has lost his survival instinct.

Prospects for Walesa-Coalition Relations Viewed

LD3101212795 Warsaw TVP Television First Program Network in Polish 1830 GMT 31 Jan 95

[Relayed by Warsaw TV Polonia Network]

[FBIS Translated Excerpt] [Announcer Dorota Warakomska] The president has accepted the candidates for ministers of national defense and foreign affairs presented to him today by the prime minister. Their names were not given. They will probably be revealed on Friday, after the declaration of formal nominations by the prime minister. [passage omitted]

[Correspondent] According to unofficial reports, Professor Janusz Ziolkowski, the hitherto head of the Presidential Chancellery, will become minister of foreign affairs. Among the candidates for minister of defense, the most frequently named is Jerzy Milewski, at present head of this ministry, although until recently the president stressed that the only person he will accept in this post is Wojciech Okonski, the former deputy minister for economic cooperation with abroad. According to the presidential spokesman, the agreement on personnel matters does not mean, however, that the dispute between the president and the coalition has ended.

[Begin Presidential Spokesman Leszek Spalinski recording] There are attempts to undermine the prerogatives of the president, based upon changes in the small constitution, various kinds of complaints, and this is the issue that ought to be clarified and, I judge, this will be served by the meeting between the president and the coalition. [end recording]

[Correspondent] The coalition leaders also have complaints about the president that they will wish to clarify during a possible meeting.

[Begin Jerzy Szmajdzinski recording, Democratic Left Alliance] In a situation where most Poles feel that adherence to the law is a value, then in a situation [as heard] where one hears about various possible interpretations and overinterpretations there may arise in the social consciousness a conviction that it is enough to have your own Falandysz [deputy head of Presidential Chancellery] so as to, quite simply, cope in life without a glance at the letter of the law. [end recording]

[Correspondent] For the time being, it has not been established when a meeting between Lech Walesa and the coalition leaders is to take place.

Interior Minister on Work of Police

LD0102115795 Warsaw Radio Zet Network in Polish 0710 GMT 1 Feb 95

[FBIS Translated Text] [Unidentified correspondent] The Guest of Radio Zet today is Minister of Internal Affairs Andrzej Milczanowski. Good morning.

[Milczanowski] Good morning, ladies and gentlemen.

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[Correspondent] Why will there not be a meeting between the Advisory Committee and the prime minister on 3 February?

[Milczanowski] Quite simply because the prime minister is returning that day from the United States, and due to the lack of time and other still urgent tasks this will not be possible.

[Correspondent] But did the prime minister not know about this two days ago?

[Milczanowski] Well, as I judge, perhaps too pessimistically, the office of the prime minister—the office of the prime minister perhaps too optimistically then judged his time capabilities on 3 February.

[Correspondent] They thought airplanes fly faster? But are these just questions of time, or is a game beginning around filling the post of the chief of police?

[Milczanowski] I think that this is nonetheless an issue of time.

[Correspondent] And who will be chief of police?

[Milczanowski] It would be tactless if I were to speak out on this matter today. I think that there must be agreements with the prime minister, and after these agreements—there was a certain initial agreement with the prime minister—and after these agreements there should be a meeting of the Political Advisory Committee, perhaps with the participation of the prime minister if he so wishes, and then everything will be clear as regards this question.

[Correspondent] Does the prime minister already know the candidatures, have you already informed him who your favourites are for this post?

[Milczanowski] Yes, yes. I would say, in general, yes.

[Correspondent] But is it true that there is on principle one favorite, Jerzy Stanczyk?

[Milczanowski] I would like to leave this in particular without comment.

[Correspondent] So we will not discover that today?

[Milczanowski] Unfortunately.

[Correspondent] Why did Zenon Smolarek have to leave the post?

[Milczanowski] Here too I would like to cite my earlier statements on this matter, namely that we have agreed with Commandant Smolarek that we will take leave of each other in gentlemanly fashion, we will take leave in elegant fashion. In this situation, speculation or seeking out causes, putting it in the most delicate way, would be some sort of transgression of this agreement.

[Correspondent] But what does this mean—that we will take leave of each other in elegant fashion? Does it mean that public opinion will not be informed why Mr. Smolarek has left?

[Milczanowski] I would not put it like that. I judge that this issue was fairly widely discussed during the, I put it thus, previous attempt on the issue of the dismissal of the commandant. On this basis it is possible to add the rest for oneself.

[Correspondent] That means, the dominant thing here is this article from GAZETA WYBORCZA, published back in...

[Milczanowski, interrupting] No, no.

[Correspondent] Something else? Then what?

[Milczanowski] No. I wish to state clearly that the issue of the so-called Poznan Affair is a matter that is, as I would put it, separate. And it here, in any case just like previously, it here was not the leitmotif of the departure of the commandant.

[Correspondent] So what was?

[Milczanowski] I would, in the most general terms, formulating this in the most general terms, I would say that it was a convergence of many causes and circumstances. Not going into their character at this time, the consequence was a situation in which the commandant's efficient command of the police was made more difficult. Let us put it like that.

[Correspondent] But what was this difficulty based upon? Why cannot he efficiently manage the police?

[Milczanowski] You see, a certain climate, a certain atmosphere, has grown over the months, bringing the issue closer, and by the very nature of things has rebounded on his capabilities of efficient management. You will surely admit that in the situation in which the commandant found himself—I am absolutely not speaking out on the substance of the Poznan Affair; I believe that this was a role for the prosecutor's office, and I state once more that this is a separate issue—but let us say the very climate, the very atmosphere, by the very nature of things, had to rebound upon the capabilities of efficient management of this largest police formation in Poland.

[Correspondent] But climate and atmosphere, these are rather concepts taken from a weather forecast. What does this mean if we translate it into a more policelike language?

[Milczanowski] Well, above all two issues. This is the issue of some surely very significant psychological burden. Very significant, for in a situation where a person meets over a sustained period with a series or an array of, let's say, of public accusations made over a

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period of time, then you will probably admit that this does not facilitate work, putting it most delicately, most briefly.

[Correspondent] But the psychological burdens were a consequence of the Poznan affair? Because that is why Commandant Smolarek was being written about in the press.

[Milczanowski] Yes, yes.

[Correspondent] And in association with this he did not make the correct decisions? Or did he make bad decisions?

[Milczanowski] Above all, (?he lived) as it were under the burden of this case. I know that it nonetheless absorbed a lot of his time. Both in his intellectual activity and in his profesional work, strictly speaking.

[Correspondent] But psychological burden is also not a police category.

[Milczanowski] Well yes, but it is a human category, probably an understandable one.

[Correspondent] Understandable, but what did Zenon Smolarek do wrong? Did he do something wrong?

[Milczanowski] I said that I do not wish to judge on this matter. Nonetheless, as of now I have had no signals from the competent bodies that, let's say, it would be possible to speak of accountability in the procedural sense.

[Correspondent] Why has this dismissal come up now? Now, during such a tense situation in the country?

[Milczanowski] Well, here I would wish to very firmly, very firmly, deny any sort of speculation or distraction on the matter of the moment having been chosen deliberately, in a situation with a fairly tense atmosphere.

[Correspondent] [words indistinct].

[Milczanowski] No. No. Quite simply I acknowledged, I judged that the state of the police, I would say its condition, its effectiveness, requires in the most general terms a change in commandant.

[Correspondent] Is it true that if a game starts around filling the post of commandant, if your favorite is not chosen, if the prime minister does not accept one of two or three favourites, you will tender your resignation?

[Milczanowski] Sir, I am pleased that you have asked this question, for I wish to say one thing. That I am, of course, a member of the government—there is no doubt about that—but I am also a so-called presidential minister. I will put it straightforwardly. The will of the president will be decisive.

[Correspondent] You have spoken of this with the president?

[Milczanowski] Yes. Previously, during the previous [word indistinct] I spoke with him.

[Correspondent] Is this matter clear here? That if the president wants you to depart, you will depart?

[Milczanowski] Of course, and if he wants me to stay, I will stay.

[Correspondent] What is this about? Why have the politicians of the Democratic Left Alliance [SLD] opened a protective umbrella over you?

[Milczanowski] I would not put it this way. I would put it as follows: There are a whole series of sensible voices, both on the matter of what we might call the change of commandant, and also in relation to the situation in the police. I would not call this a protective umbrella. This is quite simply some sort of parallel, but also joint view of these issues, by sensible people. I feel myself to be a sensible person, although I am not the one best suited to issue verdicts about my own activities, and I feel that there are many of these sensible people in the SLD.

[Correspondent] On these matters, you said. What matters? Because we were taliking of one matter.

[Milczanowski] Police affairs altogether, the situation in the police, the situation in the police.

[Correspondent] Is it true that during meetings with the leaders of the coalition there were questions on the subject of the other structures subordinate to you, the Nadwislanskie Military Units [NJW], for instance?

[Milczanowski] You are talking about the meeting with Speaker Oleksy?

[Correspondent] With Speaker Oleksy.

[Milczanowski] Yes, there were such questions.

[Correspondent] And what questions were these? Will the NJW ...

[Milczanowski, interrupting] The questions were, for instance, as follows—I feel that here there are no, that the situation is such that I can state this openly—there were for instance questions as to whether I am in command of the situation in the NJW.

[Correspondent] And are you in command of it?

[Milczanowski] Yes, of course, and that is how I replied, that I am in command, that nothing important—I put it thus—can happen in the NJW without my knowledge and consent. Nothing important.

[Correspondent] But what does this mean?

[Milczanowski] Well, there cannot, or rather...

[Correspondent, interrupting] And were there such suspicions, that something might be taking place there? Without your knowledge and consent? What is this about?

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[Milczanowski] You know, I judge that you are very well aware of the fears, various fears, expressed by various politicians, and not just journalists, fairly universal sorts of echoes in the press expressing these fears, which as I state find no basis.

[Correspondent] That is, translating this into another language, the NJW cannot be used for political purposes?

[Milczanowski] I would put it thus: First, I am in command of the situation in the NJW, and nothing significant can happen without my knowledge, consent, and decision, as I said a moment ago. Second, of course, they cannot be an instrument, the NJW is not an instrument or means of political struggle. And they will not become one.

[Correspondent] But simultaneously you stressed with full force that you are a presidential minister.

[Milczanowski] Yes.

[Correspondent] What does this mean?

[Milczanowski] With all certainty. I said I am first of all a member of the government, but I am also, as it is called, a Belweder Palace minister.

[Correspondent] Yes?

[Milczanowski] And I stated that the will of the president on the matter of my departure or remaining in this post will be the decisive factor here.

[Correspondent] You were very much praised by the leaders of the coalition, but why are they praising you, since you had an ineffective chief of police?

[Milczanowski] Well, you know, I think that the problem here is a complex one, as in any case are most problems, or a large number of problems. As regards the chief of police, I think this is a complex problem because, among other things, we probably had, or we still do have, an identical view on the matter of his departure.

[Correspondent] Will you open the archives in the case of Pyjas [student murdered in Krakow in 1977]?

[Milczanowski] Sir, I said several months ago that we would do so if the conditions are met, if the legislative requirements are met. That means if there were to be adopted, and with certainty this year, a draft law on the conditions for giving the courts and prosecutors and prosecutors' offices access to operational materials, including sources of information.

[Correspondent] Relating to the entire period of the Polish People's Republic?

[Milczanowski] The entire period.

[Correspondent] To 1989?

[Milczanowski] To 1989. No, to the present day. The draft of such a law lies at the Sejm. This brings the matter down to the issue that if a prosecutor himself adresses me with a request to make this data available in association with a specific case, then I issue either a positive decision and make it available, or a negative one. If there is a negative decision I am obliged to automatically pass the files on the case to the prosecutor general, who completely and independently evaluates the situation and independently issues his own decision, which might be completely different from the decision previously given by me.

[Correspondent] And what is the case now? You alone decide?

[Milczanowski] I alone.

[Correspondent] But specifically in the Pyjas case, you will decide?

[Milczanowski] I said, if this draft is adopted, and the conditions have been met for it to be adopted, then I can also tell you what I have said in a number of interviews. I will declassify the Pyjas files.

[Correspondent] With just the one question mark, for it is not at all clear what the fate of the Sejm will be. You said that it will surely be adopted this year, but there is no certainty, there is no certainty in politics.

[Milczanowski] As you know, I am an apolitical minister.

[Correspondent] Minister, to end our interview I wish to hand you 100 zloties, 100,000 zloties rather. Here you are.

[Milczanowski] Yes, thank you.

[Correspondent] But please look carefully, this is 100,000 zloties which has been not been produced by the Polish National Bank. This is quite simply a forged 100,000 zloty note.

[Milczanowski] Yes, I understand, I understand very well.

[Correspondent] Are there many such forged 100,000 notes circulating, circulating around our market?

[Milczanowski] Many I think. Nonetheless, the police are noting significant successes as regards investigations into these kinds of crime.

[Correspondent] The discoveries recently in Warsaw—were these large discoveries, were the printers caught?

[Milczanowski] Sir, this is a large case, a big success on the part of the police. For understandable reasons, because proceedings are in train, I cannot reveal details here. I think that soon the capital commandant or his spokesman will speak much more widely on this subject.

[Correspondent] And is it true—I read this in one of the papers today—that a new bank note has been found which is dubious, that is one where it is not clear whether or not it is forged?

[Milczanowski] I must say that I have not had this piece of news yet, so it is difficult for me to comment on this matter.

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U.S. Interest in Moldovan Independence Viewed

AU0102143695 Bucharest EVENIMENTUL ZILEI in Romanian 26 Jan 95 p 1

[Editorial by Ion Cristoiu: "The Americans' Games—What Should Romania Understand?"]

[FBIS Translated Text] For the West, Bessarabia's unification with Romania would mean not only a complicated problem but also a source of conflict. Moscow's reactions are unforeseeable. The stance of neighboring countries, Hungary in particular, toward the creation of a Greater Romania is unknown. The West believes that a new knotty ethnic minority question may arise, namely of Russians who would find themselves within Romania's borders. Considering how mediocre Western politics are, these are annoying problems. That is the reason for American and Western efforts in general to keep the independence of the Republic of Moldova separate from Romania. To this aversion we should also add vigilance regarding prospects of the emergence, through unification, of a much greater and much stronger Romania in this part of Europe. There is also the risk that the establishment of the Greater Romania would accentuate the process of European disequilibrium for the West, a process that engendered disquieting moments such as the unification of Germany, the breakup of Yugoslavia, and the disbandment of the USSR.

Western determination to preserve Chisinau's independence has for us, Romanians, the quality of a dual signal. Considering that it is an expression of fear resulting from the change in the postwar status quo, it must be disquieting because of the likelihood of a modification of Romania's western borders. In spite of nationalist-communist bickering, the West has no interest whatsoever in modifying this border, established by the Paris Peace Treaty. So, we can forget about all the nightmares on the issue of a new Vienna Diktat or of a Bosnia. From this viewpoint, we can set ourselves at ease also regarding domestic Hungarian extremism. The Western powers will support it only up to a point, and not if an ethnic or other type of conflict between Romanian and Hungary breaks out in this region of the world. As far as Bessarabia is concerned, it is clear that its unification with Romania is more and more remote with every passing day. The United States has shown exaggerated goodwill toward the Chisinau regime for the sake of preserving the Republic of Moldova's independence both from Moscow and Bucharest. This is only one of the signals that indicate that America and the West will oppose with all their might a Chisinau rapprochement with Russia or Romania. At least for the present, the unification of Bessarabia with the mother country is virtually inconceivable. The political class on this side of the Prut River must draw any conclusions emerging from this axiom, even if they are painful.

However, the Americans' game regarding the Snegur regime forces us draw another conclusion regarding our domestic situation. The Clinton Administration has ignored Communism in the Republic of Moldova for the sake of geopolitical interests. This means that the famous card of complaining to higher Western bodies can no longer be played by the Romanian opposition. The struggle for power is being waged here in Bucharest and not in Washington. The violation of democracy does not seem to impress the West too much when they have a major geopolitical interest in an Eastern country. If the Americans believe that Romania currently figures in their geopolitical games, then the Iliescu regime will be accepted no matter how seriously human rights are violated in our country. An interesting conclusion emerges in connection with our foreign policy as well. American goodwill toward the communist regime in Chisinau proves clearly that the United States does not care about feelings in its relations with Eastern countries. What matters is the importance of their geopolitical designs. Therefore, much better than endless proof of sympathy toward the Americans in an effort to win their respect and even their interest, would be to be more concerned about building a strong country, one that cannot be overlooked in this part of Europe. From this point of view, to give ourselves up into the hands of the Americans lock, stock, and barrel does not seem to me the happiest of solutions. We have succeeded in history with a subtle diplomatic game between the great powers of the respective times. It would not hurt if we did the same now, too, for no other reason than, seeing that we might enter other spheres of influence as well, the Americans might realize how important we are. And they would stop being so finicky about our manifestations of sympathy.

PNTCD's Coposu Interviewed About Campaign

Part One

AU0102134595 Bucharest ROMANIA LIBERA in Romanian 24 Jan 95 p 3

[First part of interview with PNTCD President Corneliu Coposu, by Roxana Iordache; place and date not given: "We Have To Eliminate All Misunderstandings in the CDR"]

[FBIS Translated Text]

Those Voters Who Do Not Belong to Any Party Sympathize With the United Opposition

[Iordache] Mr. President, are you consistently in favor of running on joint tickets in the elections? Some people claim that, in fact, more votes could be obtained if the parties included in the CDR [Democratic Convention of Romania] were to run on separate tickets.

[Coposu] Yes, this is an older argument, namely that participating on separate lists in the elections, would on the one hand give each party the opportunity to check its popularity and, on the other hand, the number of votes obtained by various parties would be higher. However, there is this risk that some parties included in the CDR cannot pass the electoral threshold. And in this case, the

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votes accumulated by the respective parties would be lost. Certainly, in a normal political life one could argue that the electoral options for more formations count more than the options for the same formations gathered on the same list. But in our case, there are groups of citizens that do not support any party but sympathize with the united opposition; they simply favor the solidarity of this opposition. This is also an argument that one should take into account. At the same time, the technical and material difficulties that the parties encounter are not encouraging for separate lists. On the other hand, I believe that for the time being, we are at the stage when doctrinal competitions are premature, thus, instead of doctrinal disagreements between parties, we should approach some joint fundamental principles that presently arouse the interest of the Romanian electorate. Certainly, we should see what the new electoral law will look like.

The Current Leaders Are Afraid of Early Elections Because They Do Not Want To Accept the Separate Parliamentary and Presidential Elections

[Iordache] Do you believe that Iliescu is interested in early elections?

[Coposu] I believe he is not. Why do I think so? First of all because he does not want to upset the components of the parliamentary majority, that is, the major government party together with the extremist parties, which form the coalition of the political power. The ruling party, which was pulled into the past two elections by President Iliescu, has no interest whatsoever in early, separate elections. At least this was the situation in the past. However, today the opinion polls show that President Iliescu has also seriously lost his electoral support and the proportion of people that show confidence in him continues to be increasingly lower. Hence, neither President Iliescu, nor the government coalition would be in an advantageous position if the parliamentary elections were to be held separately from the presidential elections. These gentlemen do not wish for early elections, because they are not sure that their current position could be continued after those elections. On the other hand, they are not interested in and do not care about the tragic situation with which the country has to struggle. Instead of admitting the incapability of the government to overcome the current crisis, they are satisfied with cosmetic measures of prolonging their ruling, which, however does not solve the basic problem. I believe that it will not be possible to avert early elections through reshuffles. Given the fact that the government will not wait for the country to be upset by "scores of Resita-type actions," [metalworkers' strikes] it will have to take into account the change in the people's options. Because one cannot deny the fact that since the last elections, the Romanian public has radically changed its viewpoints and options. The government no longer enjoys the support proved by the 1992 elections. Therefore, it is advisable to appeal to the public to show again its options, which, no doubt, will be different from the opinion expressed at the last elections.

We Have To Eliminate All Misunderstandings in the CDR That Could Harm the Electoral Campaign

[Iordache] What do you think should be the program of the Convention now, at the beginning of the year?

[Coposu] The CDR Protocol must be finalized because it remained suspended precisely because of the difficulties raised by its endorsement. Thus, one must take into consideration the proposals made by various parties and endorse the most adequate proposals. Second, we should most resolutely and most precisely establish the framework in which to carry out the electoral propaganda and the balance of forces between formations that make up the convention, so that we can eliminate from the very beginning the exaggerated claims of certain parties, claims that exceed the reality. And if these issues are settled, all discussions or differences are eliminated and the entire activity can be directed toward an efficient electoral propaganda that would enable the Democratic Convention to win the case. Hence, I believe that we should not hesitate to begin boldly establishing this protocol, which is indispensable for the appropriate functioning of the CDR. Once established, the protocol should be extended also to the provinces, in order to eliminate any misunderstanding during the electoral campaign. First of all, the future president of the CDR has to be elected, so as to put an end to the artificial and futile tension provoked on this issue, a situation that hampers the activity of the convention.

Part Two

AU0102134695 Bucharest ROMANIA LIBERA in Romanian 25 Jan 95 p 3

[Second Part of interview with PNTCD President Corneliu Coposu, by Roxana Iordache; place and date not given: "We Must Eliminate All Misunderstandings in the CDR"]

[FBIS Translated Text]

The Assault of Presidential Candidates' Names Is Aimed at Stirring Waves Not Around the Respective Names But Around Those Who Launch Them

[Iordache] How do you view the act of the current CDR [Democratic Convention of Romania] president Emil Constantinescu in opening the race for the position of the CDR president?

[Coposu] In order to put an end to certain speculations that are harmful for the CDR, Professor Constantinescu decided to bring forward the date of elections for the position of the Convention's president and announced that he was running for that position, thus opening the presidential race and inviting its timely conclusion in order to ensure the unfolding of the CDR's basic activity. This announcement provoked a hunt for names of candidates. Certainly, as far as concerns the names that are being circulated, they are the names of honorable people, but they cannot be candidates of the Convention since they are not CDR members. I believe that all this assault

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of candidates' names is also part of the well-known practice to come up with more or less realistic information, in order to stir waves and comments not around the respective names, but around those who launched them. I maintain the viewpoint that I have repeatedly expressed, namely that currently the Democratic Convention has only one single valuable candidate, that is, Professor Emil Constantinescu.

I Believe That UDMR [Democratic Union of Hungarians in Romania] Will Give Up Its Absurd Demands

[Iordache] Mr. President Coposu, how do you regard the possible motion of the UDMR Congress regarding territorial autonomy and the issue of positive discrimination of the Hungarian minority?

[Coposu] Yes. I believe that they will give up such a motion. At least I hope so, because there is no point in circulating some unattainable goals, instead of aiming at the achievement of goals with which the Romanian society, the opposition, and those currently in power agree and which indeed would be in the interest of the minorities, particularly of the Hungarian minority. Probably the practice of launching claims and circulating ideas, when not even those who launched them believe in their achievement, is part of the policy of asking as much as possible in order to gain at least something. I do not agree with this practice and I believe that the UDMR should aim at goals that can be achieved and not goals that just stir up disputes and retorts that mar interethnic relations.

Administrative Decentralization Could Solve Problems

[Iordache] The UDMR leaders, namely Messrs. Csaba Takacs and Bela Marko recently asked you for a meeting. What advice did you give them and what can the CDR's contribution be to the act of normalizing interethnic relations and of convincing the UDMR to give up its claims that add fuel to the Romanian extremists' fire?

[Coposu] I offered the UDMR a solution, namely that they should limit themselves to achievable claims and give up claims that would even involve a change in the fundamental law. I believe that it is useless to advance claims that come up against provisions of the Constitution. In no way is either the integrity of the Romanian state or its sovereignty questioned. What is being demanded exceeds the cultural and social aspects and has the character of a territorial autonomy claim. Certainly, this is a subject that can be discussed. We believe that any kind of claim must be discussed and should not be met from the beginning with disapproval and refusal of a dialogue. After the claim is examined, one can draw conclusions based on serious arguments. Considering that we are a civilized society, we cannot meet demands with screams, regardless of the type of the respective demand. The claim can be refused also in a civilized manner, with adequate arguments. As far as we are concerned, as we have already mentioned, we agree with the idea of ensuring all rights of the ethnic minorities and complete equality with the majority population. Therefore, we have the best intentions to ensure their right to their own language, culture, tradition, and schools in their mother tongue up to the highest level, thus, we are considering no restrictions whatsoever regarding the affirmation of the minorities' ethnic identity. We have suggested to the UDMR leaders to support the principle of administrative decentralization, which would solve their problems and they should no longer circulate accusatory expressions. Certainly, we could not agree to the establishment of certain privileges and we cannot accept the idea of positive discrimination, because discrimination in general, either positive or negative, cannot be accepted. A positive discrimination would create a privileged statute and this is at variance with the provisions of international accords and the laws currently in force in our country. Thus, we promote perfect equality in all areas, but no privileged ethnic statute.

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Izetbegovic, Kinkel View Embargo, Contact Group
AU3101171495

[FBIS Editorial Report] Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian at 1316 GMT on 31 January carries a live relay of a news conference by German Foreign Minister Klaus Kinkel and Alija Izetbegovic, president of the Presidency of Bosnia-Herzegovina, in Sarajevo, which is monitored in progress. Minister Kinkel speaks in German, and is consecutively translated into English. His statements are then summarized in Serbo-Croatian by a translator in the studio.

According to the studio translator's summary, Kinkel says, "Mostar has always been a symbol of hope for all the ethnic peoples who live in the town. For this reason, Mostar has always been an important issue for Germany. Therefore, in the talks with President Tudjman, Kinkel paid special attention to it. Mostar was also discussed during the talks with President Izetbegovic. Minister Kinkel also stressed that everything must be done to stabilize the situation in Mostar, and in this way help the federation [word indistinct]. He also stressed that he had held several rounds of talks with Mr. Koschnick, the EU [European Union] Mostar administrator, on how to help the town function normally."

Citing Kinkel, the studio translator says that Kinkel "had the opportunity and pleasure to meet and hold talks with Mr. Zubak [Bosnia-Herzegovina Federation president]. (?He) said that he had also spoken to President Tudjman on his decision to withdraw hospitality to UNPROFOR [UN Protection Force]. [words indistinct] He also said that they discussed the plan of the so-called mini contact group, Z-4, and [word indistinct] agreement that should (?iron out) differences between Knin [words indistinct]."

Addressing journalists, President Izetbegovic says: "First of all, I must say that these were very constructive, useful, and friendly talks. Mr. Kinkel's visit is very important for us as Germany is one of the most important countries in the world, if not the most important. There are four reasons for this: First, because of its major political influence, the political support that it has been extending to Bosnia-Herzegovina. Second, because of the large number of our workers in Germany. Then, because of the large number of refugees for whom Germany has found homes in Germany. Let me point out that there are more refugees in Germany than in all the other Western countries put together. And finally, because of Germany's economic importance for Bosnia-Herzegovina.

"It is a fact that Germany was Bosnia-Herzegovina's most important economic partner before the war. Considering the [word indistinct] of the economy, we think that this will remain the case in the future. I think that the trade in both directions amounted to nearly 1 billion German marks.

"We discussed four sets of questions: The continuation of the Contact Group's effort to find a political solution in Bosnia-Herzegovina. We expressed our views on this issue and welcomed the German stance, which has just been presented by Mr. Kinkel; then, we discussed problems concerning the federation and the difficulties that it is experiencing; an idea has been mentioned to set up a group of friendly countries to help both sides to overcome these difficulties; we also discussed the problems concerning Mostar, and we share identical views on it; and finally, the fourth set of questions dealt with mutual relations between the two countries; Mr. Kinkel proposed that a government delegation visit Germany and discuss all the specific issues that can be discussed at this moment.

"Finally, Mr. Kinkel briefed us on his talks with President Tudjman and Mr. Akashi [UN secretary general's special envoy] this morning. Owing to a lack of time, we have agreed to answer only three or four questions."

Replying to the first question, Izetbegovic says: "We have agreed to set a deadline, but this is not an ultimatum. In our view, and I am referring to the Bosnian Government's view, I think that the measures contained in the communique of 30 July should be applied if the deadline expires without any success being achieved. Moreover, we still take the view that the Contact Group should adhere to its plan and that it should share the fate of that plan. If the plan does not exist, we think that the Contact Group should not (?exist either)."

Summarizing Kinkel's answer to the question concerning UNPROFOR's withdrawal from Croatia, the studio translator says: "Mr. Kinkel says that he spoke about this issue with Tudjman and that he understood from the talks that he did not want to change his decision, that he is sticking to his decision that UNPROFOR must leave Croatia. However, Tudjman also said that he did not see any connection between UNPROFOR's withdrawal from Croatia and Bosnia-Herzegovina."

Asked about the possibility of the arms embargo being lifted, Izetbegovic says: "Yes, we did discuss the problem of lifting the arms embargo. I have concluded that there are some differences between our view and the German view. We hold the view that if all measures, all efforts to find a political solution, fail, that is, if the Serbian side finally rejects the Contact Group's plan, in that case, the arms embargo must be lifted.

"Let me remind you that this used to be view of the Contact Group—I do not know whether this is still the case—this used to be view of the Contact Group and as such was cited in the communique of 30 July. [words indistinct]."

Summarizing Kinkel's reply to the same question, the studio translator says: "In his answer to the question on lifting the arms embargo introduced against the Bosnia-Herzegovina Army, Mr. Kinkel said that Germany personally felt closer to the views of the Bosnia-Herzegovina

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Government, but, because they have no troops on the ground, they have to coordinate with their European allies, who are opposed to the lifting of the embargo, and thus must support their European allies. My feeling, Kinkel said, is that the lifting of the embargo would make the situation worse. In addition, it would also be impossible to deliver humanitarian aid."

Kinkel in Sarajevo; Opposes End to Arms Embargo

AU3101152095 Paris AFP in English 1456 GMT 31 Jan 95

[FBIS Transcribed Text] Sarajevo, Jan 31 (AFP)—German Foreign Minister Klaus Kinkel on Tuesday declared it was "far too late" to lift an arms embargo on Bosnia and warned that to do so could lead to more bloodshed in the former Yugoslav republic.

Kinkel was speaking after meeting here with Bosnian President Alija Izetbegovic, who told reporters he differed with the minister and reiterated his demand that the restrictions be lifted if rebel Serbs continue to reject an international peace plan.

Kinkel said Germany, which has contributed no troops to the United Nations operation in Bosnia, did not want to break ranks with its European partners who have assigned soldiers here.

"We want to stay on the European bandwagon and not go our lone course. My own personal belief is that it is far too late to lift the arms embargo. My fear would be that if we lift the arms embargo now it might lead to a further increase in the fighting and military hostilities and the situation would be worse tham what we already have now," Kinkel said.

But Izetbegovic insisted that if the Bosnian Serbs persist in their rejection of a peace plan proposed by a five-nation "Contact Group," of which Germany is a member, "the embargo must be lifted."

"This was the view of the Contact Group and was expressed in their July 30 communique," he argued, referring to a group statement that a UN Security Council move to cancel the embargo would be considered "a last resort" in the face of continuing rejection of the proposal.

The plan would allot 51 percent of Bosnia-Hercegovina to a Muslim-Croat Federation and 49 percent to the Serbs. The government has accepted the plan while the Serbs, dissatisfied with the quality of the territory they would receive, have consistently turned it down.

"The Contact Group continues to adhere unwaveringly to its peace plan," Kinkel said. "Acceptance of the plan was not an easy thing for the Bosnian government to do. It's up to Pale (capital of the self-proclaimed Bosnian Serb republic) to show some movement on its part. (Serb leader Radovan) Karadzic is the only one who has so far refused to accept it. I appeal to him to stop refusing to accept the peace plan."

Sarajevo Can 'Continue To Count on Germany'

AU3101205095 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1800 GMT 31 Jan 95

[Report by Nedzad Leko]

[FBIS Translated Excerpt] German Foreign Minister Klaus Kinkel today visited Sarajevo. He held talks with Alija Izetbegovic, president of the Presidency of the Republic of Bosnia-Herzegovina, Kresimir Zubak, president of the Federation, and members of the Presidency. Minister Kinkel also visited the Kosevo Hospital, the German branch of the Red Cross, and toured Sarajevo. A news conference was held after his talks in the Presidency building. Nedzad Leko has the report:

[Leko] At the news conference, the journalists were first addressed by Klaus Kinkel.

[Begin Kinkel recording in German fading into Serbo-Croatian summary of his speech] I was deeply moved by my visit to Sarajevo. This town has been under a siege for 1,000 days already. This was always a town that expressed in a special way the suffering and misfortune of people in Bosnia-Herzegovina. I came here today to tell the residents of Sarajevo that we have not forgotten them and that we will not forget them. Nor must we ever forget them.

I came here to express my solidarity with the residents of Sarajevo. The international community must continue searching for a peaceful solution to this conflict. We (?told) Mr. Izetbegovic that the Contact Group still adheres to its peace plan. The unconditional acceptance of the peace plan was not an easy thing for the Bosnia-Herzegovina Government. It is now up to Pale to show some understanding on their part.

Karadzic is the only one to reject the peace plan. I appeal to him to stop rejecting this plan. I spoke to President Izetbegovic on the ways of how to intensify the Contact Group's peace process in order to bring all the interested parties to the negotiating table as soon as possible, on the basis of accepting the peace plan.

One element of hope and stability is the Federation of Bosniaks and Croats. This is something that must succeed. For this reason I spoke to President Tudjman in Zagreb this morning and asked him to contribute to the successful functioning of the Federation. I also spoke to the Bosnia-Herzegovina Government about this today. I asked them to do whatever they can to facilitate the functioning of the Federation. After this news conference, I will talk to the third member of the Presidency, Mr. Pejanovic, about this issue.

Mostar has always been and will remain the symbol of hope for ethnic groups whom the war turned into enemies. The process of their cohabitation must be supported with the firm resolve of both sides. Mostar has

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always been a very important issue and was an important issue during today's talks. I recently met Mr. Koschnick and spoke with him about it. This morning I discussed this with President Tudjman. We will do everything in our power to create stable structures in Mostar and the Federation as a whole.

As an expression of German solidarity with the people in Bosnia, we signed a framework agreement on technical cooperation. Germany has also provided more than 6 million German marks for the program to improve agriculture. As part of this program, we will provide seeds, medicines, and equipment. In addition, we will also send experts to Sarajevo. They will offer assistance with regard to water supply and offer specific projects.

President Izetbegovic and I also agreed today that a Bosnia-Herzegovina delegation visit Bonn in the near future to discuss with German economic experts the ways of improving the currently difficult economic situation and how Germany can help.

We accepted more than 400,000 refugees from the former Yugoslavia in Germany. This is twice as many than other European countries accepted all together. Of those, 100,000 refugees came to Germany from Bosnia-Herzegovina.

I would like to stress that I also met President Zubak today. I consider talks with him very important. In brief, I would like to say two more things that I discussed with President Tudjman this morning.

First, I told him that the German Government and I consider erroneous the decision not to extend the mandate of UNPROFOR [UN Protection Force] in Krajina, although we understand Croatia's deep disappointment that the United Nations has not fulfilled its promises. We also spoke about the Z-4 group's plan for Krajina, which was revealed yesterday. What is important is that Tudjman has accepted the plan as the basis for negotiations.

I would like to say in conclusion that I saw today myself the extent to which Sarajevo has been destroyed. My belief is that this war must be brought to a conclusion. Pale must accept the peace plan so that the negotiations can finally start. There is no alternative to a peaceful solution.

I use this opportunity to express my gratitude to President Izetbegovic and all members of the leadership on their friendly and sincere welcome. I want to assure you that you can continue to count on Germany, Minister Kinkel concluded.

Journalists were then addressed by President Izetbegovic. [end recording] [passage omitted]

Kinkel, Ljubijankic Sign Technical Agreement

AU3101145595 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1400 GMT 31 Jan 95

[FBIS Translated Excerpt] German Foreign Minister Klaus Kinkel this morning arrived in Sarajevo for a one-day visit. He arrived for talks in the Bosnia-Herzegovina Presidency building accompanied by Bosnia-Herzegovina Foreign Minister Irfan Ljubijankic. Klaus Kinkel's first meeting in the Presidency building was with the Bosnia-Herzegovina state delegation headed by President of the Presidency Alija Izetbegovic. The delegation comprised Presidency members Ejup Ganic, Tatjana Ljuic-Mijatovic, Stjepan Kljuic, and Foreign Minister Irfan Ljubijankic.

German Foreign Minister Klaus Kinkel was then received by Bosnia-Herzegovina Federation President Kresimir Zubak. Directly prior to the newscast, the Bosnia-Herzegovina and German foreign ministers Irfan Ljubijankic and Klaus Kinkel signed a framework agreement on the joint technical cooperation of the Bosnia-Herzegovina and German governments. A joint press conference was then held in the Bosnia-Herzegovina Presidency building. [passage omitted]

Zubak Discusses Federation With OSCE Official

AU3101213795 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1800 GMT 31 Jan 95

[FBIS Translated Text] Kresimir Zubak, president of the Federation of Bosnia-Herzegovina, today received (Hans Peter Pleiner), head of the mission of the OSCE. They discussed the realization of tasks regarding the implementation of the Constitution of the Federation.

The talks were also attended by Vladislav Pogarcic, deputy foreign minister in the Governments of the Republic and Federation of Bosnia-Herzegovina.

Federation President Zubak thanked the head of the mission on his personal efforts and the efforts of the OSCE on the appointment of ombudsmen, stressing the importance of their work on setting up the Federation in the future. He promised all the necessary help to the ombudsmen in their work.

Medical Evacuation Convoy Reaches Sarajevo

AU0102074895 Paris AFP in English 0052 GMT 1 Feb 95

[FBIS Transcribed Text] Sarajevo, Feb 1 (AFP)—A convoy of UN ambulances and armoured personnel carriers carrying 116 Moslem medical patients arrived here early Wednesday after a 10-hour journey from Gorazde in southeast Bosnia.

Once in Sarajevo a smaller convoy of 66 Serb patients left the government-controlled enclave for the nearby Serb-held town of Kopaci, UN sources said.

The medical evacuation was arranged by Bosnian government and Serb officials on January 23 and was an operation inspired by their New Year cessation of hostilities agreement.

Most of those arriving at Kosovo Hospital here around 1:00 a.m. (0000 GMT) were elderly and frail but able to

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walk unescorted. Several ailing and bewildered children were bundled up against the damp cold by nurses and carried into the hospital.

The patients had been transported aboard Norwegian and Canadian vehicles that according to one driver passed unimpeded through several Serb checkpoints on the way.

UN officials hailed the understanding that made the evacuation possible and noted that it had been worked out in face-to-face talks between two senior officials, Bosnian Minister for UN Affairs Hasan Muratovic and Momcilo Krajisnik, parliamentary speaker in the self-proclaimed Bosnian Serb republic.

The negotiations had been brokered by UN mediators charged with implementing a four-month cessation of hostilities accord signed by the warring parties on December 31.

Serbs Allow Relief Convoy To Travel to Srebrenica

LD3101182195 Belgrade TANJUG in English 1558 GMT 31 Jan 95

[FBIS Transcribed Text] Zvornik, Jan. 31 (TANJUG)—The office of the UNHCR on Monday continued supplying relief aid to the eastern Bosnian Muslim town of Srebrenica through the territory of the Bosnian Serb republic.

The Bosnian Serb army command in the town of Zvornik, eastern Bosnia, told TANJUG that a 10-vehicle convoy carrying 72 tonnes of flour and 5,600 liters of fuel oil had been sent to Srebrenica.

The source said that one of the trucks contained power and water supply fittings and mountings for the further construction work on a Sweden-donated clinic in the northeastern Bosnian village of Drinjaca in the Zvornik municipality.

The source said that the Bosnian Serb side had, as always, secured a safe and unhindered passage of the convoy through the Bosnian Serb republic and that on Tuesday it had allowed the passage of duly announced UNHCR deliveries to eastern Bosnian Muslim towns.

Army Releases Dutch Troops in Srebrenica

AU3101213895 Paris AFP in English 2124 GMT 31 Jan 95

[FBIS Transcribed Text] The Hague, Jan 31 (AFP)—Bosnian Government troops on Tuesday [31 January] released around 100 Dutch UN troops they had been holding since Saturday in the eastern Srebrenica enclave, the Dutch Defence Ministry said here.

Negotiations between the commander of the Dutch battalion charged with protecting Srebrenica and the local Bosnian commanders persuaded the Bosnians to release their hostages, officials added.

The ministry did not explain the nature of the deal reached between the Dutch commander and his Bosnian opposite numbers.

Government, Serbs Agree To Open Road to UN Aid

AU3101182995 Paris AFP in English 1808 GMT 31 Jan 95

[FBIS Transcribed Text] Sarajevo, Jan 31 (AFP)—Bosnian Government and Serb officials agreed Tuesday [31 January] to reopen a key supply route linking this besieged city with the outside world on Wednesday to eight UN-related relief organizations.

UN officials said the agreement on reopening the supply route for Sarajevo and another road near the airport linking two Serb-held suburbs was reached after nearly eight hours of talks between senior government and Serb officials.

The talks produced the following communique: "The parties agree that the airport routes should be open for official international humanitarian organizations as of 1300 (1200 GMT) on February 1."

The agreement allows the World Food Programme, the World Health Organization, the Food and Agriculture Organization, the UN High Commissioner for Refugees, UNESCO, UNICEF, the International Committee of the Red Cross and vehicles connected with the UN coordinator for the reconstruction of Sarajevo to use the supply route.

An initial accord in principle between the parties reached on January 23 had also authorized five local aid agencies and civilians to use the road. In addition, the Bosnian Government had been pressing for authorization to be extended to commercial trucks.

"All those things were on the table but this is all they were able to come up with," said a senior UN source who asked not to be named.

Reopening the airport crossings, closed since July, had been stipulated in a UN-brokered cessation of hostilities signed by government and Serb authorities on December 31.

Delic Orders Blockade Lift on Nordic Battalion

BR3101155695 Stockholm SVENSKA DAGBLADET in Swedish 31 Jan 95 p 6

[Article by Fredrik Braconier: "Blockade of Nordbat Lifted"]

[FBIS Translated Text] "I have been informed by the Bosnian commander in chief, General Delic, that the restrictions on Nordbat [Nordic battalion in Bosnia] will return to the level in force before the blockade. This has also been confirmed today in talks with Vice President Ejup Ganic," Swedish Bosnia Ambassador Erik Pierre told SVENSKA DAGBLADET over the telephone from Sarajevo. Pierre went to Sarajevo to discuss the measures

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to which Nordbat has been subjected in the Tuzla region by the Muslim-dominated government army.

The conflict began when a Bosnian Serb liaison officer from the UN Command was stationed at Tuzla Airport. Nordbat continued to be the target of a blockade after the officer had left the airport.

General Delic has told Ambassador Pierre that if the order is not carried out he wants to be informed.

Nordbat staff chief Osten Kvarnlof said that the restrictions which applied in the past were that the battalion should hand over weekly plans for its activities. Nordbat is waiting to see what effect the order from Sarajevo will have.

It has been possible to rotate personnel at four observation posts which have been cut off for three weeks. In one location, however, the replacement personnel had to wait 24 hours before they were allowed through.

"We are testing the water and seeing how things go," staff chief Osten Kvarnlof told SVENSKA DAGBLADET, adding that on Monday afternoon [30 January] the UN Swedes had not noticed any change.

Bihac on General Alert; UNPA Attacks Continue

AU3101151995 Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1400 GMT 31 Jan 95

[Report by Muhamed Mulic from Bihac]

[FBIS Translated Excerpt] Velika Kladusa and its environs are today again at the center of fierce clashes in this part of Bosnia-Herzegovina. Attacks are being launched and carried out from the area of the UN Protected Areas [UNPA] from the so-called Serbian Krajina. The latest offensive of the joint aggressors, prepared in cooperation with the paramilitary of the so-called Autonomous Region of Western Bosnia, was launched from the UNPA zones in full view of the UN Protection Force and military observers. Along with a large number of Chetnik units from the so-called Serbian Krajina and the Serb Republic, special units from the Federal Republic of Yugoslavia are also engaged in the fighting. This has been confirmed by documents taken from captured enemy soldiers and other documents on the objectives of the latest chetnik offensive on the Bihac Commune. [passage omitted]

At 1112 a general alert signal was sounded in Bihac. A mortar bomb was suddenly fired at the town center from the joint aggressors' positions from the direction of occupied Zavalje. [passage omitted]

Heavy Government Casualties Reported in Bihac

LD3101162895 Belgrade SRNA in Serbo-Croatian 1439 GMT 31 Jan 95

[Item received by fax]

[FBIS Translated Text] Petrovac, 31 Jan (SRNA)—Fighting between members of the 5th Muslim Corps and forces of the People's Defense of Western Bosnia in the Cazin Krajina continues today with a somewhat lesser intensity.

According to Radio Velkaton of Velika Kladusa, People's Defense units have taken a large number of prisoners in the fighting in the area of Klancina Baraka this morning.

Two members of the People's Defense were killed and another five wounded in the fighting. Velika Kladusa radio claims that 2,000 members of the 5th Muslim Corps were killed and 6,000 wounded in the latest offensive on the positions held by the Serb republic army.

Apart from that, 250 members of the 5th Corps were killed and 580 wounded in the attacks on western Bosnia launched four days ago. Radio Velkaton says that People's Defense units took 300 Izetbegovic soldiers prisoner in these clashes.

Lab Uncovers Chemical Agent in Laundry Detergent

AU3101131895 Ljubljana DNEVNIK in Slovene 28 Jan 95 p 32

[STA report: "Laundry Detergent—Chemical Agent?"]

[FBIS Translated Text] Mostar, 28 January (STA)—When the University Department of the Bonn Institute for Hygiene and the European Union Health Department in Mostar recently decided to analyze the water from the Neretva River, which is also used for drinking, because they suspected an increased concentration of cyanide in it, the municipal police announced that it had discovered toxic laundry detergent.

The laboratory test established that the detergent in question, Faks Helizim Bioaktiv manufactured by Saponija from Osijek, contains high quantities of certain substances whose characteristics resemble a chemical agent called blister [mehurjevec]. The laundry powder supposedly causes the disintegration of clothes and a skin rash that later develops into open wounds. This powder is arriving from Croatia through various channels and is intended exclusively for the Bosnia-Herzegovina market, a Sarajevo agency reports.

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Granic Views Prospects for Serbian Krajina

AU3001184895 Berlin DIE WELT in German 30 Jan 94 p 9

[Interview with Foreign Minister Mate Granic by Carl Gustaf Stroehm; place and date not given: "The South Tyrol Model Might Also Be the Solution for Croatia"]

[FBIS Translated Text] [Stroehm] There is concern in the West because Croatia has decided that it no longer wants to extend hospitality to the UN peacekeeping forces on its territory. There is the fear of war, especially a large-scale war between Croatia and Serbia.

[Granic] We understand these concerns, but we do not believe that there will be a large-scale war. Although President Tudjman has already informed UN Secretary General Butrus Butrus-Ghali that the protection forces mandate will not be extended, nothing of this kind has occurred.

[Stroehm] What makes you so confident?

[Granic] At present, Serbia is not in a position logistically, politically, or economically to wage a large-scale war against Croatia. It is not in a position to do so politically, because Serbia would then stand to lose any prospect whatsoever of having the sanctions lifted. It is not in a position to do so economically, because it is in a very difficult, if not desperate, situation. Furthermore, there is no convincing reason why the Serbs should wage a war outside their borders. As for the logistics, it is no longer as easy as it was to provide the Serbs in the occupied areas of Croatia with extensive assistance.

[Stroehm] But Serbia has by no means suspended the aid that it is has been providing to the so-called Krajina?

[Granic] It is providing military assistance to the rebels in Krajina. It is dispatching volunteers and certain categories of specialists. However, if there were to be a large-scale conflict with Croatia, then Belgrade would not be in a position to provide massive assistance. The corridor through which the assistance would have to be transported is relatively narrow and our forces would be able to cut it. However, we are not considering such things at the present time. Currently, our thoughts are solely directed toward finding ways of peacefully integrating the Serb-occupied territories in Croatia, which were under UN supervision until now, into our state. We want Croatia to constitute a whole entity as quickly as possible so that it can participate in the European integration process as soon as possible. However, the Serbian population of Croatia should receive the maximum degree of protection—in line with the most exacting European criteria. There should also be international inspection mechanisms. However, what we certainly do not want is a situation in which Croatia is a hostage to unresolved conflicts, is a hostage to the conflict in Bosnia. As long as we cannot solve the problem of the Serb-occupied territories, as long as armed irregular Serb forces continually provoke conflicts, we will experience difficulties with respect to the NATO Partnership for Peace, for example, and with joining other integration-oriented organizations. That is why the question of the occupied territories is of key importance for our national existence.

[Stroehm] Will the Serbs in the so-called Krajina have to come to terms with living in a Croatian state and being a ethnic minority in it? That it precisely what they have rejected so far.

[Granic] It has to be remembered that the idea of Greater Serbia has found favor with a large section of Croatia's Serbian population. It is a fact that the entire region in question—that is, 23.5 percent of the territory of Croatia—has been ethnically cleansed by the Serbs. Before the war, that is, before 1991, there were about 219,000 Croats living in these areas and 76,000 other, non-Serbian nationalities: Hungarians and Ukrainians. Now, there are no more than 10,000 non-Serbs—Croats and all the others put together—mainly old people living there.

The Quality of Life Has Sunk to Zero

[Stroehm] So, how does the situation stand with regard to the local Serbian population?

[Granic] That is a very interesting subject. Before 1991, there were 300,000 Serbs on the territory, but despite the expulsion of the Croats and the other nationalities, their number has not increased, but has declined by a third to under 200,000.

[Stroehm] So, have Serbs also fled from the territories that are controlled by the Serbs now?

[Granic] A large number of Serbs have left the so-called UN Protected Areas, because they do not agree with the Serbian leadership's radical policies. This fact has been completely disregarded by world opinion until now. The quality of life for the people there has sunk to zero. The same applies to human rights. There are no jobs and no prospects. They are living there under the protection of UN troops and are managing to keep going thanks to the humanitarian assistance provided by international organizations and the military assistance that they receive from Belgrade. That is why today these Serbs are solely an instrument in the hands of Slobodan Milosevic. They all know that outside Croatia, they have no prospects whatsoever for the future.

[Stroehm] But do these people have prospects in Croatia?

[Granic] Croatia can offer them the normalization of life in every respect, as well as complete local autonomy for 11 communes—that is, those areas where the Serbian population constituted a majority before 1991. Furthermore, Croatia is ready to offer them international supervision of the implementation of local autonomy over a certain period of time.

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Belgrade Will Shortly Face the Moment of Truth

[Stroehm] What kind of experiences has the Croatian Government had with the opening of the highway between Zagreb and Slavonski Brod, which passes through Serb-controlled areas near Okucani?

[Granic] An average of 4,000 vehicles use the route daily. In addition, between 50 and 100 Serbian vehicles form the Serb-occupied territories—that is, vehicles with license plates that have been issued there—use the road every day. Thus, they can enter Croatian territory without any difficulty. They change German marks into Croatian kuna without any problems and shop here, because our shops have everything that they can only dream of there. There has not been one incident so far. I wish to stress that: not one.

[Stroehm] Are the Croatian police hindering the entry of Serbs into the free Croatian territory?

[Granic] On the contrary, they help them if necessary. The Serbs buy everything imaginable in Croatia.

[Stroehm] If someone goes shopping somewhere, that does not necessarily mean that he accepts the state that exists there....

[Granic] We have opened a bureau representing the Republic of Croatia in Belgrade. We have received 600 applications from Serbs who left Croatia after 1991 and are now seeking Croatian citizenship. There are more and more Serbs indicating that they want to talk to us. These people want to know what we understand by "peaceful reintegration" and who is covered by the amnesty law and the law on exemption from criminal prosecution.

[Stroehm] Is this development problematic for the local Serbian leaders—and is it not also dangerous for Milosevic, because it means that he is losing control over these people?

[Granic] It is undoubtedly dangerous for the radical elements. A difference is emerging between those Serbs who favor reintegration and a normal life together with the Croats and those who do not want that under any circumstances. As far as we are concerned, we will provide those Serbs who are in favor of peaceful reintegration with as much assistance as possible. As far as Milosevic is concerned, the situation is as follows: Croatia's rejection of UNPROFOR [UN Protection Force] means that he is about to face the moment of truth. He can no longer hide under the UN umbrella. He must state clearly whether or not he is in favor of reintegration, that is to say, whether he is in favor of the normalization of relations between Serbia and Croatia. If he were to recognize Croatia within its international borders, then that would be a signal to the Croatian Serbs that they must seek a solution to their problems solely within the Republic of Croatia.

[Stroehm] What should make Milosevic suddenly recognize Croatia's borders, which is something that he has not wanted to do until now?

[Granic] I think that the basic motivation would be that the sanctions will not be lifted unless Croatia is recognized. In addition, it is clear that he will not be able to maintain control over these territories in the long term. That being so, it would be logical for him to recognize Croatia and get rid of the sanctions. However, he would then also find himself in a situation in which he would be able to campaign for the rights of the Croatian Serbs completely legally, through international institutions.

[Stroehm] Thus, vis-a-vis the Serb minority, Serbia would find itself assuming a similar function to the one that Austria has in relation to the southern Tyroleans in Italy.

[Granic] Precisely.

[Stroehm] Would that mean that Croatia would have something of a fifth column on its own territory and that another state would be able to provoke conflicts using the Serbian minority as it wished.

[Granic] I have made it clear that everything has to proceed in accordance with European norms. We cannot concede more than European norms.

[Stroehm] Russian negotiator Churkin said that the Krajina would return to Croatia, but that it would be "state within a state."

[Granic] Croatia would never accept something of that kind. Extensive local autonomy yes, but not a state within a state. There can only be local administrative autonomy in those districts in which the Serbs had a majority of over 50 percent in 1991: That is the case with 11 communes in the counties of Knin and Glina. In all the others in the Serb-occupied territories, the Croats constituted a majority before the war. In Baranja, which is occupied by the Serbs, the Serbs accounted for no more than 23 percent of the population. That is why there is no question of Serbian administrative autonomy for Baranja or for Eastern or Western Slavonia.

[Stroehm] What will happen to the Serbian administrations there? They not only have their own flags and symbols, but also their own agencies....

[Granic] Our Constitution provides a precise definition of the scope of autonomy: Autonomy applies to education, radio and television, the justice system, and health care. What the Serbs in Croatia cannot have is also clear: They cannot have an army of their own and they cannot have their own foreign ministry. As you can see, our form of autonomy is based on the South Tyrol model.

[Stroehm] Let us imagine the following situation: A Serbian policeman stops a Croatian driver on the Zagreb-Split road for speeding and issues him with a fine. Would that alone provoke an ethnic incident?

[Granic] The composition of the police force would have to be such that it reflects the nationalities living there in a balanced manner—and the police force would, of course, have to be subordinated to the state. If that were

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not the case, then we could have a repetition of roads being barricaded with trees as was the case in 1990. We will never permit that. We are also prepared to subject ourselves to international inspections with respect to the minorities issue—irrespective of whether that would involve a OSCE mission or EU [European Union] observers. The Western powers, including Germany and Russia, have presented the "Z-4 Plan." We were not happy with the first version; the altered version is better, but we are still not happy with it.

[Stroehm] What do you find troubling about the plan?

[Granic] Roads should never be barricaded again. All those elements of the plan that smack of a "state within a state" must be eliminated.

[Stroehm] The deputy president of the Croatian parliament, Vladimir Seks, says that Baranja and Vukovar constitute the most difficult and bloodiest problem connected with reintegration.

That Would Be Dangerous Provocation

[Granic] If peaceful reintegration does occur, then the international community will provide an administration for a brief transitional period so that refugees and those expelled can return on the one hand and local elections can be organized on the other. This interim administration should also give those who have blood on their hands an opportunity to go.

[Stroehm] What percentage of the Serbian population living there would, in your opinion, be prepared to leave the territory rather than subordinate themselves to Croatia?

[Granic] All I will say is that those who have committed crimes as defined by international conventions will undoubtedly be handed over to the judicial authorities. However, Croatia will act with magnanimity in other cases.

[Stroehm] Do you not see there being a danger of radical Serbs—from Bosnia, for example—disrupting the peaceful reintegration process through provocations and acts of violence or even destroying such a process?

[Granic] This danger does exist. Radical Serbs from the occupied territories could also use the opportunity to demonstrate that reintegration and coexistence are not possible. That is why we will not respond to provocations unless they pose a direct threat to our cities and the lives of our people. Massive military assistance for the radical Knin leadership from the Bosnian Serbs would constitute a really dangerous provocation. However, that would also dangerously weaken the Serbian front facing the Muslim-Croatian Federation and the other side knows that very well. So, it is not so simple for them. At the moment, more than 4,000 Knin Serbs are tied up militarily around Bihac.

[Stroehm] There are many Croats who have lost relatives in horrifying ways. Will they not try to seek revenge?

[Granic] Recently, not one single responsible Croatian politician has made a radical statement expressing such sentiments. Nor in the press has a single article appeared that would exacerbate the situation. Within the population as a whole too, there is no significant degree of radical feeling. We will do everything possible to prevent people from taking justice into their own hands.

[Stroehm] Milosevic started off with grand goals: He wanted to secure a border for Serbia that would extend along the Karlobag-Karlovac-Virovitica line, which would have meant that Croatia would have been reduced to a small rump state around Zagreb. Is he in a very difficult position now?

[Granic] His first goal went well beyond that: He wanted to have all of Croatia. He only backed down on that after suffering military defeats.

[Stroehm] Is it possible that he is only looking for a breathing space now and that he will launch a second campaign against Croatia when the time is ripe?

[Granic] A certain degree of caution is certainly necessary. However, Croatia does not want the situation to be frozen in its present state. If that were to happen, then it could really lead to the emergence of a Greater Serbia, which would extend into the territory of the Republic of Croatia. We are currently effectively hostages of the unresolved situation in Bosnia-Herzegovina, hostages of Karadzic and Milosevic. Originally, Milosevic did not want to recognize Croatia at all until the problem of Bosnia had been solved. Karadzic is not prepared to accept any kind of sensible solution. However, we Croats are not prepared to wait for years until the Bosnian problem is solved. If the Bosnian problem were to be solved before our occupied territories are reintegrated, then a situation would arise in which the Serbs would be in a much stronger bargaining position vis-a-vis Croatia. They could also concentrate all their armed forces on occupied Croatian territory. In other words, Croatia has a whole range of reasons for not wanting to wait any longer. It lies in our interest to speed up the negotiating process. However, a peaceful reintegration of the UN Protected Areas would also facilitate a solution to the Bosnian question.

[Stroehm] In the West, it is being said that Bosnia's Muslims have lost the war against the Serbs and they must accept this. What is your view of the prospects for Bosnia-Herzegovina?

[Granic] The Muslims must realize that no one wants an independent Muslim state apart from radical Islamic elements. An Islamic state in Bosnia could only be a radical Muslim state. I do not believe that the majority of Bosnian Muslims want this. On the other hand, the war in Bosnia, the Serbian aggression, the occupation of 20 percent [figure as published] of the territory has cost a shocking number of lives. According to Bosnian Muslim figures, between 200,000 and 300,000 have been killed on the Muslim side and 100,000 on the Serbian

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side. About 700,000 Muslims have been expelled from Bosnia-Herzegovina. About 50 percent of the Croats who lived there before the war have left the country. A realistic prospect for the Muslims is provided by a federation with the Bosnian Croats, in line with the Washington Agreement, and strong links to the Republic of Croatia and thus to Europe, because the path leading Bosnia to Europe runs through Croatia. Thus, it is essential for the Bosnian Muslims to be oriented toward Europe. What kind of relationship would emerge between the Muslim-Croatian Federation of Bosnia and the Bosnian Serbs is difficult to predict. What the Muslims must understand is that they and the Croats must enjoy equal rights within the Federation. Thus, the Bosnia-Herzegovina Presidency should not seek to force the Federation into accepting things that it does not agree to. That is the spirit of the Washington Agreement.

Germany Can Also Provide Us With Effective Help

[Stroehm] One hears it repeatedly said that the majority Croatian area of the country, that is, western Herzegovina, will link up with the Republic of Croatia and that the Serbian part of Bosnia will link up with Serbia and that this could lead to the indirect emergence of a new Yugoslavia?

[Granic] Croatia will never—I stress never—form any kind of association with Serbia. Never and not in any form. We can normalize our relations after Belgrade recognizes our borders and the occupied territories are reintegrated. We can trade with each other, but no more that that.

[Stroehm] Why are there repeated problems between Croats and Muslims in some parts of Bosnia?

[Granic] The basic problem is the creation of the Federation. Countries such as Germany, the United States, Turkey, and Austria could provide us with valuable assistance. It involves having no centralized command for the Armed Forces. It must be possible for Croatian communes to be established in cantons that are predominantly Muslim and vice versa. A governmental apparatus for the federation must be formed then—one extending from ministries to the customs service. Countries that enjoy friendly relations with us should concentrate on these issues and not on personnel questions such as whether Mr. Ganic, a Muslim, should replace Mr. Zubak, a Croat, at the top. Bosnia as it existed before the war cannot be restored.

RSK: Talks Conditional on UN Mandate

LD3101200095 Belgrade SRNA in Serbo-Croatian 1858 GMT 31 Jan 95

[FBIS Translated Text] Knin, 31 Jan (SRNA)—Borisav Mikelic, prime minister of the republic of Serb Krajina [RSK], told SRNA today that nobody from the RSK took part in drawing up the Z-4 plan on the normalization of political relations between Krajina and Croatia, and that the Krajina leadership was in no way consulted on these matters.

Mikelic underlined this as the main reason why the Serb side "refuses even to consider the proposed plan."

"The members of the Z-4 group are responsible for the peace process from now on, because of their insistence on beginning the third stage in the negotiations—talks on a political solution to the Krajina-Croatia dispute—before the second stage, on economic issues, has ended," the Krajina prime minister said.

He explained that "the mini Contact Group has submitted a plan which imposes transition to the third phase of the peace process before a definitive UN Security Council decision on the mandate of UNPROFOR [UN Protection Force] is reached."

"Assessing that it would be better for the RSK to wait for a decision by the UN Security Council and the world powers on the future of UNPROFOR's mandate in Croatia, the RSK state leadership rejects possible accusations on the nonacceptance of the Z-4 plan," Mikelic added.

"The extension of UNPROFOR's mandate in Croatia is a guarantee for a successful resolution of the second, economic phase of the negotiating process between the RSK and Croatia, so the RSK government considers their presence as a condition for the continuation of the third, political phase of the talks," Mikelic specified.

At its session scheduled for 4 February in Knin, the RSK assembly is expected to discuss the state of the negotiating process with Croatia in the light of Croatia's cancellation of UNPROFOR's mandate and the political and security situation in the country.

Serbs Demand That UNPROFOR Stay

AU3101191595 Paris AFP in English 1852 GMT 31 Jan 95

[FBIS Transcribed Excerpt] Belgrade, Jan 31 (AFP)—Separatist Serbs who control around one third of Croatia will not negotiate with Zagreb unless the world gives them written guarantees that UN troops will remain in the country, a Serb spokesman said Tuesday [31 January].

Petar Damjanic, spokesman for the government of the so-called republic of Serb Krajina, said the Serbs wanted absolute guarantees that UN troops stationed in Croatia will not leave by the end of June as demanded by Croatian President Franjo Tudjman.

Tudjman has ordered UN troops to leave Croatia within three months of the end of their mandate. The mandate runs out on March 31.

Damjanic told independent Belgrade B-92 radio that the Croatian Serbs "cannot discuss a plan unless there are written guarantees that the UN Protection Force in Krajina will remain in Krajina with an unchanged mandate" as a "protection force." [passage omitted]

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Aide Says Z-4 Plan Partially Acceptable

LD3001212995 Zagreb HTV Television in Serbo-Croatian 1830 GMT 30 Jan 95

[FBIS Translated Text] [Unidentified correspondent] Our special guest in the studio this evening is Dr. Miomir Zuzul, President Tudjman's special envoy at the talks with the Contact Group, who took part in the talks today. The last few months have been characterized by speculations about the details of the draft Z-4 plan. According to some, the plan is totally unacceptable, while others insist that it is partially acceptable. What is the new Z-4 plan about? How many of its parts are acceptable, how many are unacceptable?

[Zuzul] It is difficult to say to what extent the plan is acceptable or unacceptable but the fact is that the plan that was officially handed over to Croatia today on behalf of the EU [European Union], the United States, the Russian Federation, and the Conference on Former Yugoslavia has some elements that can be described as definitely acceptable, and which we welcome but at the same time some of its elements are unacceptable to us. I am referring here to some specific solutions that we think are neither necessary nor likely to lead to a peaceful end to the crisis.

[Correspondent] Can we be more specific: Does the plan refer to the constituent nation status, in other words, to political autonomy including the possibility of confederal links with Serbia?

[Zuzul] Well, reference is made to a degree of autonomy, both political and cultural, but there is no mention of any constituent nation let alone of any confederal links with anything. The plan, in fact, divides the UNPA [UN Protected Areas] zones in, globally speaking, two groups. One group comprises the districts of Glina and Knin. These two districts are given a high degree of political and cultural autonomy but as regards the other areas the plan adheres more or less to the framework provided by Croatia's constitutional law on minorities.

In some aspects the solutions for the first two districts perhaps go beyond the familiar models and are definitely unacceptable to the Republic of Croatia but as a global framework, as a model, they can lead to an overall solutions.

[Correspondent] What is it that Croatia can negotiate about? What concessions can it make?

[Zuzul] On several occasions in the past Croatia outlined its framework for resolving the Croatian problem. In other words, our framework is: The full acceptance of Croatia's territorial integrity and sovereignty throughout its territory and Croatia's readiness to give the Serb minority a certain degree of autonomy in the parts where they were in the majority before the war broke out. This, as President Tudjman said today during his meeting with the ambassadors, is what we see as acceptable to us. However, when it comes to concrete solutions, for instance, the name itself, I think that there is a confusion here over geographical and political terms. For instance, there is [the term] Krajina but it is not clear whether this is meant as a political or geographical term. This name does not refer to the entire area but to these two districts alone and its use is not clear. There is a whole series of concrete solutions that we find difficult to accept in such a way that we can talk about a genuine autonomy, to which a national community has the right, and which is either recognized or known in any democratic system.

[Correspondent] You have mentioned Glina and Knin. How was the problem of Baranja and eastern Slavonia solved?

[Zuzul] Generally it was solved within the framework of the constitutional law, in those units, municipalities where the Serbs used to make up a majority; they have some rights, but they do not have any special autonomy there. They should in a certain period of time be fully returned to the control of the Croatian state.

[Correspondent] Is there a possibility of international arbitration, UNPROFOR [UN Protection Force] remaining in Croatia?

[Zuzul] Of course, every plan leading to a peaceful solution, which takes into consideration the real state of affairs, must envisage a period for the implementation of the plan. In that context we expressed our readiness long ago to accept assistance from the international community for peaceful implementation. A certain period has been envisaged.

If I may say so, the period envisaged for us to give our serious objections to the plan as a whole and some parts of it—in my mind that period is inappropriately long, unnecessarily long. I believe that all this can be done in a much quicker way if the plan is accepted at all.

[Correspondent] This is precisely what I wanted to ask you—what is the future of this draft plan? What do you suppose the international players would do now, what sort of pressure are they going to exert on Croatia and Serbia?

[Zuzul] I think it is necessary to stress, particularly in the context of everything that is happening now, that this plan should not be taken as being pressure on Croatia; it has been worked on for quite a long time, we do know how much work went into it, we do not doubt that countries that took part in it had good intentions for the problem of Croatia to be solved; fundamental issues and fundamental solutions are indisputable and nobody has tried to criticize them.

This plan should not be viewed as pressure, it is a document on offer, not on the take-it-or-leave-it principle, but a document put forward for discussion between the Croatian state and rebel Serbs, i.e. the Krajina Serbs as they call themselves. In this respect we have stressed that we can accept such discussion and the given framework. But what we cannot accept and what

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we have been saying right from the start and naturally cannot accept under any conditions is that this is not a discussion between two equal partners. These are negotiations, but of a specific nature: This is an internal Croatian issue, which we are ready to solve with help from the international community.

While there is understanding on the part of everyone who took part in the making of this plan, after all these countries stand behind it, it seems to me, however, that this approach is not completely clear in the plan. Sometimes, in fact, the two sides are treated in a similar way.

We said today in very clear terms that this was an unacceptable way of conduct. However, if the Serb side accepts this as a framework for negotiations, I believe that this would bring about a great deal of progress, for if they accept this it means that they have explicitly agreed for the first time to seek their solution within the Croatian state. This will be a great step toward a peaceful solution. In which case we have yet to agree with the international community on how to conduct the negotiations.

There is, perhaps, a dilemma here. This plan is not taking shape in any kind of negotiating or diplomatic or political vacuum. It is in fact the third stage of a process that has been talked about throughout all this time and is unfolding now. The first phase was the signature under the plan for a cease-fire, i.e. the agreement on a cease-fire. The second phase is this economic agreement that is being implemented and which, bearing in mind all the circumstances, cannot make us express great dissatisfaction with the way in which it is taking shape. In any case, it is taking place. This plan is that third, final phase that should lead us to the full reintegration of Croatia's occupied parts. This is not our interpretation of the plan. It was presented in this way and offered to us in this way.

Hence, in this context, we find this framework acceptable. Once again, what is hard to accept, what can predictably cause understandable reactions from the Croatian people, Croatian Parliament, well, from each of us, these are some specific solutions. [sentence as heard]

They are, however, not laid down along the lines of—you have to accept them or else someone will force Croatia into accepting them. I believe that the world will take a realistic approach, so a solution can be found that will be acceptable while guaranteeing legal stability in this area.

Milosevic Refuses To Meet With Peace Mediators

AU3101135495 Paris AFP in English 1310 GMT 31 Jan 95

[FBIS Transcribed Text] Zagreb, Jan 31 (AFP)—Serbian President Slobodan Milosevic refused Tuesday to meet with international peace mediators for Croatia, Peter Galbraith, the US ambassador to Croatia, said.

Galbraith spoke after he and the three other co-authors of a peace plan for Croatia returned from the Serb-held region of Krajina where they sought to discuss the plan with Serb authorities in the area.

"The leadership in Knin (the Serb stronghold) refused to look at the plan and Milosevic refused to receive us," Galbraith said. "The facts speak for themselves." He said the Serbs would not consider the plan until the Croatian Government went back on its decision not to renew the mandate of UN peacekeepers in Croatia. The mandate expires at the end of March.

Russian ambassador Leonid Kerestedzhiyants said he was disappointed by the reaction of the secessionist Serbs toward "an honest and fair" plan which grants significant political and cultural autonomy to Knin and Glina (another Serb-held town) and calls for Zagreb to reestablish full authority over two other towns after a transitional period of five years.

Secessionist Serbs have declared their own independent republic in regions of Croatia under their control. But Galbraith warned that such a "republic" would never be recognized and prosper.

"They live in the most primitive circumstances in Europe," he said of the secessionist region. "They will always be under continous threat."

Party Leaders on Serb Call for Political Autonomy

AU0102092895 Split SLOBODNA DALMACIJA in Serbo-Croatian 29 Jan 95 p 4

[Unattributed report: "Djapic: Serbian National Party Lost Its Bearings"]

[FBIS Translated Text] In a poll for SLOBODNA DALMACIJA, leaders of the parliamentary parties commented on the statements by the Serbian National Party [SNS] about a federal republic of Croatia, extensive autonomy, borders drawn on the town principle, and appeals to the ruling party to chose suitable, loyal Serbs.

Josip Pankretic, (HSS—Croatian Peasants Party): We cannot accept any proposition that would redefine the borders and create a state within a state. We agree and support the idea that the Serbs should enjoy the same rights as other Croatian citizens, however, we do not agree to them gaining any sort of political autonomy because this would be to the detriment of not only the Croatian people, but also other ethnic minorities that would not have political autonomy. For this reason, we are against any sort of political autonomy.

Anto Djapic (HSP—Croatian Party of Rights): This is nonsense! This is a complete disorientation, a loss of all bearings. We presented the party's stance about their activity during the debate on the UN Protection Force [UNPROFOR] mandate. What they are doing is malicious and is harming Croatia. The responsibility also lies with the Croatian Democratic Community [HDZ], which made it possible for them to be represented in the Sabor.

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Stipe Mesic (HND—Croatian Independent Democrats): I do not know whom the HDZ votes for, probably those who suit them. I cannot comment on the SNS statements, because I did not see them, however, I can say that the Constitution and the Constitutional Law are the basis for a debate, and we should seek solutions in this direction.

Mira Ljubic-Lorger (DA—Dalmatian Action): There is no precise information about what the SNS leaders have said, and I can thus only voice my general opinion. I believe that the problem of the status of the Serbs in Croatia should be resolved on the principle of regionalism and within the context of a solution for all regions of the Republic of Croatia, which would be an acceptable solution for all Croatian citizens. Therefore, nor would some regions and towns be ghettoized or privileged. A high degree of local self-rule for all regions is a guarantor of the equal status of all citizens, and everybody would be better off in comparison to the current too rigidly centralized state administration and state-influenced economy.

Serb Opposition Party Advocates Federalization

AU3101181395 Zagreb VJESNIK in Serbo-Croatian 28 Jan 95 p 4

[Article by Andrea Latinovic: "Djukic: The Serbian Question Exists"]

[FBIS Translated Text] Zagreb—The Croatian leadership must finally understand that the Serbian issue exists, and a just solution would be an extensive political autonomy whose border is conditioned by the return of displaced persons, said Milan Djukic, president of the Serbian National Party [SNS], during the party's news conference held in the Sabor [Croatian Assembly] on Friday [27 January]. [sentence as published]

"A part of the Krajina, comprised of Slavonija and Baranja, would have to be placed under the international community's protectorate until a final solution is achieved," added Djukic, and reiterated that Serbs in urban centers must be given the right to cultural autonomy. He moreover warned that Croatia should not violate and deny the Serbs their rights.

Djukic also quoted Smiljko Sokol's interpretation that "Croatia would not accept any form of formal federation," and said that that was not going to be accepted.

The party's Vice President Veselin Pejnovic stressed that the SNS would like the demonization of the party in the media and questions as to how the SNS can travel to Knin or Baranja to finally stop. He said that he does not support the Croatian Democratic Community's [HDZ] policy which creates "loyal Serbs" who, added Pejnovic, "were more often than not proposed by the SNS itself, and who in the meantime turned into the HDZ's yes-men." Pejnovic added that the SNS "feels loyalty to Croatia as loyalty to a lasting value, but the state is not the HDZ." He then reiterated once more that he was "sorry that loyal Serbs go along with the HDZ's political intrigues."

Pejnovic and Djukic repeated also that the SNS was dissatisfied with President Tudjman's decision to end the UN Protection Force [UNPROFOR] mandate, and said that they would like to find a mode in which UNPROFOR could stay in Croatia, but if it must go, it should at least accomplish as much as possible in the remaining short time. Djukic said that the SNS would not give its vote to the Sabor's conclusions on UNPROFOR, and consequently would not participate in the debate.

"The SNS is conducting a battle for an integral Croatia, but one in which there will not only be room for Croats," concluded Djukic.

[Box, p 4]

A Federal Unit

The president of the SNS stressed that a "federal unit is an extensive and strong autonomy and one cannot avoid this." He established that "it does not call into question Croatia's integrity and sovereignty."

Asked by a journalist whether the SNS was supporting the option of Croatia becoming a federal state, Veselin Pejnovic answered that the SNS is striving for "the contents of a complete political autonomy and a Croatia comprised of regions."

Zagreb Sticks to Old Habits Over Serb Krajina

LD3101150095 Belgrade TANJUG in English 1217 GMT 31 Jan 95

["Pool" item; by Nikola Stanojevic]

[FBIS Transcribed Text] Zagreb, Jan. 31 (TANJUG)—Although Croatia and Serb Krajina have not yet begun negotiating the settlement of the conflict, Zagreb authorities are already showing their inflexibility in the matter.

In view of such Croatia's position, so far only declarative, it is hard to believe that the expected dialogue between the two sides would be possible.

The plan offered to Croatia and Serb Krajina Monday by the 'mini-contact group' Z-4 has triggered a series of Croatian leaders' statements to the effect that a solution to the conflict could only be found within Croatia's internationally recognized borders. In that connection, ranking Croatian officials say the most Krajina Serbs could get is 'local autonomy in 11 municipalities.'

It is evident that Zagreb cannot accept the fact that both sides in the talks are equal and should therefore find a solution that would be acceptable to both sides and based on the proposed plan. Serbs in Croatia set up their own state, the republic of Serb Krajina, in 1991, after

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Croatia launched a war of secession from the former Yugoslavia and removed Serb national rights from the Croatian Constitution.

Zagreb does not recognize Serb Krajina and, although the territory of Serb Krajina was placed under U.N. protection in the spring of 1992, it has since launched four offensives against Krajina in an attempt to impose its rule there by force.

Croatian President Franjo Tudjman's statement on Jan. 12 that Zagreb would not extend the current six-month mandate of the U.N. peacekeepers after its expiry on March 31, is being interpreted in Krajina as Croatia's threat to launch a new aggression on it. Zagreb's claims that the calling off of the UNPROFOR [UN Protection Force] mandate would 'speed up a political settlement' of the conflict were backed also by Croatian MPs in a parliamentary debate on the issue last week.

Some MPs threatened with war, saying the crisis in the former Yugoslavia could not be resolved until Serbia was reduced to the territory around Belgrade, Serbian and Yugoslav capital. History was interpreted in the same manner so that some mps referred to the alleged 'systematic Serb genocide against Croats' in World War II, although historical facts prove quite the opposite.

Mps accused Serbs of destroying entire Croatian villages, while crimes committed by Croatian fascists—ustashas, were described as 'isolated incidents.' Accordingly, the World War II Jasenovac death camp, set up by the clerico-fascist state of Croatia that allied itself with nazi Germany and fascist Italy, was also put in the category of 'isolated incidents.' About 1,000,000 people, of whom 700,000 Serbs, were brutally killed in the Jasenovac death camp.

Insisting on what is in Zagreb called the 'reintegration' of Serb Krajina into the Croatian state, Tudjman's regime says it will first try to accomplish this goal 'peacefully' but if this fails, it will use 'all available means.' Krajina Serbs say, however, they had never been integrated into Croatia but the former Yugoslavia.

Bank Director Views Rehabilitation of Banks

95BA0110B Zagreb BANKA in Serbo-Croatian Jan 95 pp 18, 20-21

[Interview with Ivo Markotic, managing director of the Bank of Slavonia, by Nikola Prskalo and Zeljko Ivankovic; place and date not given: "Awaiting True Financial Rescue"]

[FBIS Translated Text] In early December the announcement was made in a meeting of the government that financial rescue of the banks has finally begun. In the first round of the financial rehabilitation, as was in fact anticipated, the Bank of Split [Splitska Banka] and Bank of Rijeka [Rijecka Banka] will be joined by the Bank of Slavonia [Slavonska Banka]. We talked with Ivo Markotic, managing director of the Bank of Slavonia, about whether this is true financial rescue, how much it will help the banks, and what else should be done.

[Markotic] It was high time to undertake financial rescue of the banks. The Financial Rescue Agency should have gone to work already, and I cannot accept the explanation that they do not have the personnel. The most recent decision offered the Bank of Slavonia the possibility of buying a portion of the "big bonds" for restructuring the economy, so that at a discount the state would purchase bonds worth more than 70 million kunas for 50 million kunas.

[BANKA] What does true financial rescue really mean?

[Markotic] I see this as the state's first step, because financial rescue is a process. At some point, the banks must become private, which means that they must have identified owners, and they, not the state, will worry about their destiny. It was high time for something to really happen, because the soundness of these banks was in jeopardy, because the public regards them as ailing. The state has so proclaimed them, but nothing has been undertaken.

The liquidity injection has already helped the Bank of Slavonia. When state budget deposits were withdrawn in early October, we were in a liquidity bind, and the level of deposits of our customers is disturbingly low. Slavonia has been financially depleted in the war and reconstruction, and in view of continuing measures of the government and the NBH [National Bank of Croatia] toward concentration and centralization of the monetary sphere, it is clear that it will not be easy for us to get on our feet. Take only the fact that the Bank of Slavonia is traditionally an agricultural bank and that until recently 80 percent of our loans went to agriculture, and that in spite of all the difficulties we managed to repay total primary note issue to the National Bank in the very short period of seven months, regardless of the seriousness of the situation in the combines and their capability of repaying those funds.

[BANKA] The Bank of Slavonia has often presented in public its own model of financial rescue. Of what does it consist, to what extent has it been carried out, and to what extent are we talking about financial rescue that exists only in the bookkeeping, on paper?

[Markotic] Without waiting for full-fledged solutions, the management of the Bank of Slavonia has analyzed the situation and developed measures that the bank itself can undertake, but also those that we are calling upon the state to take in order to redistribute the burden of the war. We submitted that program in February to the Ministry of Finance and the National Bank. It is not a question of self-rescue at all. This has been maliciously insinuated in some of the commentary. In doing so, I think we helped to shape the final version of the Law on Financial Rescue. In our proposal, we quantified the loss that the bank incurred because of the war, the loss of property, and uncollectible loans from Ilok, Vukovar,

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Beli Manastir, Tenja, Bobota, and Ernestinovo, that is, the occupied part of Croatia, but also from the territory of the former Yugoslavia, not counting the profit that was lost. We proposed a redistribution of this substantial burden to the system of the state. In addition, we worked out measures and procedures that we will carry out ourselves. We undertook maximum elimination of bad debts from assets. We charged this to our own operating result and capital, and we are the only bank in Croatia that showed an operating loss in 1991 and 1992. We planned a new organizational structure of the bank, undertook radical personnel cuts, and planned to introduce controls, following the example of German banks. In the organizational structure, we are trying to separate the profitable portion from the cost portion of the bank and organized operations according to the structure of users of services, and we are introducing the system of profit centers. The bank's management is now considerably younger, some 30 or so managers have received a regular or early pension, we have enrolled a sizable number of trainees, and we are trying to combine youth and experience in an optimal way.

We are doing all this with the help of our consultants from Bankakademie Frankfurt. The team is headed by Dr. Werner Sauter, who is working on the job of restructuring East European banks and has a clearly defined methodology.

[BANKA] During the debate of the Law on Financial Rescue of the Banks, the Bank of Slavonia particularly resisted certain proposals. What was the disagreement, and are you satisfied with the way it was worked out?

[Markotic] We were emphasizing financial rescue and requesting aid in our efforts, because we have been aware of the severity of the problem from the outset. The model worked out in the law is well known to those of us who worked on revision of the banking system in the former Yugoslavia. The dispute was over its application to the Bank of Slavonia. We were only asking that the reasons that brought the banks to the difficult situation be clearly delineated and that the behavior of the banks under difficult circumstances also be distinguished; that is, that the model be applied selectively because every bank is different. We arrived at that through a simulation of the application to our bank, because we found that this was a vulgarization of financial rescue. Specifically, because of the low level of capital at risk in our own cleanup during two years of losses and because of the large reservations to cover risks related to the obligations of state enterprises, specifically the HEP [Croatian Electric Power Industry], additional capitalization of 21.5 million German marks [DM] would make the Bank of Slavonia 98 percent state-owned, yet the actual value on the balance sheet two and a half years ago was DM560 million. We judged that this jeopardized the interest of the formal, but also real, founders of the bank, which had evolved from generation to generation, and we simply requested protection not only of the interest of the present shareholders, but also of the entire region of Slavonia. Once the disagreements were worked out, our demands were included in the final text of the law.

[BANKA] In the dispute between the government and the Bank of Slavonia in April, you explained that the state would take over the bank for a pittance.

[Markotic] The problem does not lie in the bank being taken over by a foreign state; the problem is what follows thereafter. Formally, the future Financial Rescue Agency would hold bank shares worth more than DM500,000 and would put them up for sale. For how much? I asked. At their face value, the amount the state invested in additional capitalization, or...? That is, will some new purchaser emerge and buy the bank from the agency "for a pittance"? I think that this is too rapid a process and not sufficiently controlled. Although privatization of the banks is taken for granted in this entire market-oriented liberation of ours, I think that the standard of value and the order of equivalents must be adhered to. In any case, we would like the bank to have a known owner, but not for this to happen in a vulgar way, as was possible in the first version of the law.

[BANKA] Who does the Bank of Slavonia belong to now?

[Markotic] I will spell it out for you completely. When we examined our register, we found that the owners of our founders are 29.5 percent private individuals, 27 percent state funds, 8 percent public enterprises, and 16 percent untransformed socialized enterprises. The rest of the structure is fragmented and not so important. This is an area on which so far the bank has not had an essential impact. We have recently been concerned with structuring and cleaning up our assets. But urgent undertakings are also necessary on the liability side of the bank's balance sheet, especially concerning positioning in the register. Banks have a set of instruments for that, and it is clear to us that many, even large ones, have already done this, wisely and quietly.

[BANKA] You did not dodge a public argument with Mr. Milas, a member of the board of directors of the Privatization Fund. Did you manage to work out the disagreement, and how?

[Markotic] It was not a disagreement with Mr. Milas, but a proposal for a swap of stock between the Bank of Slavonia and the Croatian Privatization Fund. We offered the fund stock of Slavonian combines and certain large enterprises mostly state-owned in order to consolidate the state's portfolio, make recordkeeping easier, make management simpler, while at the same time this is a sphere that traditionally has been a concern of the state, which necessarily has a presence in it. We requested in return the stock of our customers, for instance, Tekos, Drava, Osijek-Koteks, and certain other medium-sized and small firms that we judged could be traded more easily. It is a necessity that we monetize our immobile assets. This was a way of speeding up that process and of obtaining the working capital we need as

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soon as possible. I think that this idea is still under consideration, especially by the specialists responsible for working out the process of financial rescue of the banks, and I will be very happy if this becomes part of the procedure for institutional evolution as a decision in the domain of the government during the parliament.

[BANKA] A rather polemical debate was conducted in the parliament about writing off claims against firms that have had war damage in order to make it possible for them to avoid bankruptcy. A stalemate was maintained because writing off the claims would have "distorted" the balance sheet of the banks, perhaps the Bank of Slavonia the most. Is there any solution to that?

[Markotic] You have put your finger on it. A group of deputies representing our displaced persons presented a crude legislative proposal and demanded that it be handled urgently. The idea was a noble one: forgiveness of debt. Nevertheless, this is too complex a matter to be resolved so elegantly. I have already mentioned the huge claims of the Bank of Slavonia, the Business Bank [Privredna Banka], and other Croatian banks that have remained on temporarily occupied territory. No one wants to deal with this now. We have frozen this, indexed it to the currency, and made it an item off the balance sheet. The difficult position of Belje and other firms that have transferred only their legal identity to the territory controlled by the Republic of Croatia, while all their property has remained on the occupied part, is clear to the Bank of Slavonia. However, this issue must be solved with sensitive instruments, not by merely writing off the claims. What is more, court cases have been completed in which the judgments were indicative for the creditors, so that a law adopted in this way would only upset the order of things. The position of the Bank of Slavonia is that it will not charge the displaced firms until they return to their areas, and the issue should be resolved with a redistribution to those parts of the country that did not suffer such a large burden of the war. This is also the answer for those who are asking today: Why buy up the "big bonds" of only certain banks? Why does the system give the advantage to those that are operating poorly? We are not operating poorly by our own will or through our own fault, we have operated poorly because they have taken away our property, they have destroyed our homes with their artillery shells; because we have been lying in the trenches... and I will leave it at that. It is a fact that all parts of Croatia did not experience that, and that is why I am convinced that we should do additional work on the mechanism for redistribution of the war burden and conduct selected measures.

[BANKA] Have you granted managerial loans?

[Markotic] No, not one. Truthfully, not only because we did not want to, but also simply because we did not have surplus resources, least of all a liquidity potential for those purposes.

[BANKA] The dispute between the Bank of Slavonia and OLT [expansion unknown] is well known. The Bank of Slavonia has taken part in 34 bankruptcies and collected only 5 percent of its claims. Does it seem to you now that you entered into the cleanup without giving it much thought?

[Markotic] The Bank of Slavonia experienced a rash of bankruptcies, and the war was an additional accelerator. Under the difficult conditions for doing business, for distinguishing good operations from bad ones, it is my judgment that we did go too fast. Between 1990 and 1993, the bank participated as a creditor in 34 bankruptcy proceedings, with a total declared amount of claims of DM111 million. So far, 23 bankruptcy proceedings have been concluded, and the amount collected is DM3.86 million. It is true that we initiated a considerable share of those bankruptcies ourselves, but this was not a case of "speed promised without thinking." Only now is it getting easier for us, because we know that we have survived, and many enterprises are operating successfully since the cleanup. They include, for example, Mara, Obuca, OLT of Osijek, Cibalia of Vinkovci, Pasavina of Djakovo....

OLT was a specific problem. This was the most difficult bankruptcy for the Bank of Slavonia. We demanded that the bank take part in transformation of OLT as an entity that had lost in bankruptcy. It went hard until we reconciled interests with the present management structure of OLT, but now I repeat what I have already said in public—I am pleased that economic logic has won out and that the bank and OLT have found a common interest under the new circumstances.

[BANKA] You are a regional monopolist. Does that make it easier or harder for you?

[Markotic] With our headquarters in Osijek and six branches in Djakovo, Nasice, Donji Miholjac, Orahovica, Slavonski Brod, and Vinkovci, in addition to us in Slavonia there is also the Bank of Vinkovci [Vinkovacka Banka], the Bank of Zupanja [Zupanjska Banka], and the Bank of Brod and Sava [Brodsko-Posavska Banka], which are domicile banks, and branches of other large banks, but also a number of small new private banks. Competition does not bother us, my position is that during reconstruction, when this region is hungry for capital, a broader offering of banking services is a good thing. Assuming the competition is fair, of course. If it is unfair, then we know how to whip our brontosaurus tail a bit, and then it certainly is not pleasant. So long as the business practices of financial entities stay in the clean and public sphere, there is no fear. However, a large portion of economic activity takes place in the gray zone, taxes are not paid, the clearing system is bypassed, usurious interest rates are collected.... People who do such business are not contributing to the building and strengthening of the Croatian state, and it must take repressive measures through its institutions. I sincerely hope it will.

I fully understand the desire of individuals to become capitalists overnight, but at the same time the difficult

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position of the needy and the ruination of what once was the solid middle stratum of society is obvious to me. I am not in favor of that form of (primitive) accumulation of capital.

[BANKA] The uncontested foreign debts that have come due must be set aside in a separate account in the NBH. To what extent will that shape the position of the Bank of Slavonia?

[Markotic] The Bank of Slavonia must set aside about DM45 million for uncontested debts due abroad into a separate account in the NBH. The largest are the obligations of the Croatian Electric Power Industry, and I expect that the HEP will furnish those funds.

The obligations of firms whose headquarters were on the temporarily occupied territory constitute a separate problem. Those obligations must be met by the Bank of Slavonia from its own potential, because those firms have ceased to operate. The question arises of whether the obligations for those firms must be discharged by a transfer to the special account in the National Bank of Croatia before settlement abroad, or is it possible to wait for the burden of the war to be uniformly distributed over the entire republic.

[BANKA] The Bank of Slavonia, like others, has taken part in the transformation, sometimes with no other choice, sometimes in order to preserve assets. Do you have ideas about how a future law on privatization could make business operation easier for the Bank of Slavonia, among others?

[Markotic] The process of transformation and privatization in our country was late because of the war, but I think that transformation came to an end in 1994. Privatization is a rather protracted process, and given the sources that exist in this area, we can hardly expect revolutionary changes without an influx of foreign capital. We have become owners of a number of enterprises mostly out of necessity. We did not make a decision in the bank's business philosophy to manage those firms, nor have we formed any kind of umbrella holding company. Our wish is to sell our stock and shares as soon as possible, and so we initiated creation of the Osijek Securities Market. I can state with pride that after its birth pangs it is now operating; we have already sold several sizable blocks of stock. We have even sold one entire firm, and we did so at the face value of the shares. So, some progress is being made. But we certainly do not want to sell off everything.

[BANKA] Farmers are reacting very unfavorably to the most recent measures of the government. Although the Bank of Slavonia has reduced the share of agriculture in its total lendings, you cannot altogether renounce agriculture. Are you acting in concert against the government, and in what areas might you have interests in common?

[Markotic] Agriculture needs a consistent long-range agricultural policy, which the Ministry of Agriculture is working on right now. The neglect of agriculture in the conduct of overall economic policy could have tragic consequences, not only for Slavonia, but also for all of Croatia. We have been issuing that warning constantly. The Bank of Slavonia cannot flee from agriculture because that is our environment, the structure of economic capacities, the way of life.... But we know that it is smarter to invest money in the more propulsive sectors where the turnover coefficient and rate of profit are higher. The withdrawal of primary note issue essentially depleted our financial blood flow, but we did this properly, because we fully accept the government's program and the principle of financing from real sources. We have serious objections to the distribution of funds in the budget to stimulate certain sectors. Just look at the structure and purpose of funds in the distribution of the Ministry of the Economy! In any case, the Bank of Slavonia will provide credit to finance agricultural production, no longer as much through the combines as in direct relations with farmers.

[BANKA] The new state budget has not envisaged funds to pay the first part of principal and interest on old savings. The already immobile assets of most old banks could be jeopardized still more. How is that situation to be resolved?

[Markotic] That is a particular problem, especially for those banks in which the so-called old foreign exchange savings were an important source of funds in the structure of capital. It is well known that the law has transformed "old foreign exchange savings" into a public debt of the Republic of Croatia. The state has thereby assumed very large obligations to the owners of those deposits. For us, it is unthinkable for the obligations assumed not to be discharged in keeping with the Law on Transformation of Foreign Exchange Deposits of Individuals Into Public Debt. Under those circumstances, the banks are only intermediaries between the state and the depositors. Within the agreed framework, we have up to now been paying old savings quite properly both to our traditional savings depositors and also to those who subsequently transferred old savings from other banks. Even though, as you say, the budget has not envisaged funds to pay the first part of the principal and interest on old foreign exchange savings, which come due on 30 June and 31 December 1995, we expect that the state will nevertheless find sources for servicing the obligations assumed, and we will take pains to make the payments properly and in the manner we have been doing it up to now.

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Chamber of Commerce Sees End to Greek Embargo

AU3101142495 Skopje NOVA MAKEDONIJA in Macedonian 29 Jan 95 p 2

[Article by V. Cvetkovska: "Damage to Both Economies"]

[FBIS Translated Text] Before a year has passed since the economic and transport embargo of the Republic of Greece, the possibility of its partial lifting has arisen. There have been announcements from that direction, and particularly from the Salonika Chamber of Industry and Commerce, that have caused justified interest among our economic public although there is a dose of skepticism. The interest is particularly great because of the damages that the economy has suffered in the last year, which have been reflected directly on the whole production and on the engagement of our capacities.

Although there had been other such announcements of a lifting of the economic embargo, particularly after a series of protests by many Greek businessmen from the northern part of Greece, the request of the Salonika Chamber of Commerce for the lifting of the embargo soon (1 February was mentioned) acquires real dimensions, at least according to their unofficial statements on several occasions during their discussions with the leaders of the Macedonian Chamber of Commerce, in spite of the categorical denial of the representatives of the Greek Government on the possible lifting of the embargo.

"In spite of the embargo," Dusan Petreski, president of the Macedonian Chamber of Commerce said, "we have had several contacts with our colleagues from the Salonika Chamber of Industry and Commerce and the Union of the Chambers from Athens, as well as with a number of other businessmen. These meetings were not official because of the known political problems and questions in the relations between the two countries, but they also gave us a hint that there will be an official meeting at the level of the chambers in January or February."

In my opinion, it is good that, in this case, the economic interests of the two countries have been put at the forefront, but it is also good that our Greek colleagues have presented an official request to the Greek Government for the lifting of the embargo. It should have been done much earlier, but it is never too late. However, we would not like these hints to be just another game before the court process in the European Court of Justice on the Greek embargo. It is a fact, and we have concluded it jointly in the unofficial contacts, that the economic and trade embargo is causing enormous damage to both sides. Our assessments are that the Macedonian economy has suffered damage of $40 to $50 million per month over the past 11 months, or a total loss of around $500 million.

The trade that the Republic of Macedonia [The Former Yugoslav Republic of Macedonia] used to have with the Republic of Greece in the period before the blockade was $200 to $300 million, of which $50 million was in goods exchange. For the services of the port of Salonika alone, Macedonia used to pay $165,000 a year, in addition to other services such as oil installations, and so on. This cooperation had been developed over three decades, and it has never been stopped completely, not even during the embargo. The Macedonian businessmen have continued to cooperate with Greek companies, but, normally, this cooperation has been mostly carried out via other companies that profited most, to the detriment of both sides.

On the other hand, after the lowering of the ramp toward Macedonia, the Greek businessmen, particularly those from northern Greece, where industry is the most developed and where Greece has invested most in the infrastructure that serves the whole region, differed in opinion with the Greek Government. The businessmen have assessed that the damage that Greece has suffered from the embargo is around $650 million.

Apart from the 52,000 metric tons of oil belonging to "Makpetrol" that are impounded in the port of Salonika, along with some other humanitarian deliveries, the greatest damage to the Macedonian economy was in the fact that production capacities were not used properly, that the transport costs increased because alternative and hazardous roads had to be used. This corridor is still indispensable for us, although I still expect problems, but the most important thing is to establish direct communication between the companies of the two countries. At meetings with our Greek colleagues from the Union of the Chambers from Athens (within the framework of the Balkan Association of Chambers), we agreed that these measures should not exist and that all questions can be solved through dialogue, and not at the expense of the two economies when other countries make a profit. That is why we expect a speedy end to the embargo and a stabilization of the situation, because the economic stability of a country cannot be achieved without similar stability in the direct neighborhood.

17 Afro-Asians Expelled for Recruiting for B-H

AU3101213695 Sofia Khorizont Radio Network in Bulgarian 2000 GMT 31 Jan 95

[FBIS Translated Text] The Macedonian [The Former Yugoslav Republic of Macedonia] authorities have expelled 17 Afro-Asians across the Bulgarian border checkpoint at Deve Bair. The foreigners are accused of recruiting and sending volunteers to Bosnia-Herzegovina and of engaging in religious propaganda and illegal trade.

It is conjectured that about 1,000 people have been sent along a well organized route to Bosnia to fight on the Muslim side in the conflict. Weapons are also presumed to have been sent along the same route.

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Federal

Government Adopts 1995 Economic Policy

LD3101222495 Belgrade TANJUG Domestic Service in Serbo-Croatian 1837 GMT 31 Jan 95

[FBIS Translated Excerpt] Belgrade, 31 Jan (TANJUG)—At its session today the Federal Government adopted a document on the this year's country's unified economic policy. The session was chaired by Radoje Kontic. The Federal Government, the Republic Governments of Serbia and Montenegro, and the National Bank of Yugoslavia will implement the policy within their competences—the Federal Secretariat for Information reported tonight.

The economic policy in this year, as well as last year, is basically anti-inflationary and is based on the program for reconstructing the monetary system and the strategy of the country's economic revival.

The main aims are to consolidate the market economy system, continue the stability of prices and the dinar, boost economic activities, raise living standards, and create conditions for structural changes while carrying out a transformation of ownership.

Bearing in mind the general preconditions for implementing the economic policy, the social product is expected to rise by seven percent in 1995. Industrial production is expected to rise by nine percent, agriculture by two percent, the building industry by eight percent, transport and communications by 10 percent, services and tourism by five percent, and other areas by seven percent.

The Federal Government believes the total lifting of the international blockade or its partial lifting will contribute an additional positive component to the realization of quicker economic growth and better relations in the use and distribution of the social product. It is the Federal Government's commitment to reduce last year's share of public spending in the social product by five percent this year.

The document, including its three main parts, notes that the economic policy for last year was made at a time when overall economic activities almost came to a halt, prices were rising at a rate of millions, the dinar was losing its features of a national currency and its basic functions. It also stresses that highly significant results were achieved in implementing the program of the reconstruction of the monetary system and the strategy of Yugoslavia's economic revival and the economic policy for 1994. The soaring rate of inflation was curbed and prices and the exchange rate of the dinar were stabilized without foreign financial support and against the backdrop of the international community's strict measures.

In order to preserve these results, the document on the economic policy for 1995 envisages temporary intervention measures to be applied in the first quarter of this year, thus balancing the budget and public spending funds with real sources and without using loans from the National bank of Yugoslavia.

To this end, the expenditures from the Federal and Republic budgets in the first quarter should be reduced by 10 to 25 percent. The rise in salaries, pensions, and other social incomes will be temporarily frozen by the end of March.

Once this period has elapsed the main aim of the salaries policy is to enumerate them and pay them out salaries solely from real sources and existing funds in line with production trends and collective contracts. [passage omitted]

Kontic on Economic Policy

AU0102104595 Belgrade RTB Television Network in Serbo-Croatian 1830 GMT 31 Jan 95

["Exclusive" interview with Federal Prime Minister Radoje Kontic by Dusko Petrovic on 31 January; place not given—recorded]

[FBIS Translated Text] [Kontic] [words indistinct] to establish and implement economic policy at the level of the country, as well as the constitutional provision on the National Bank of Yugoslavia being the promoter of economic policy, at least partly, above all in the sphere of monetary policy, stability of the country's tender, and financial discipline. It is also a constitutional provision that republics also have their share of responsibility in creating and implementing economic policy, above all in the sphere of, how shall I put it, taxation system, that is, taxation policy, taxes, social policy, and the like. Above all, this sector of economic relations with foreign countries remains within the jurisdiction of the Federal Government, and I can say that in this past period of a month to a month and a half we, as I like to put it, ensured the harmonization of these policies, that is, in fact reached accord on basic orientations as regards the concept of economic policy aims between (?the three) governments and the National Bank of Yugoslavia.

[Petrovic] What are the main aims of this economic policy?

[Kontic] Well, the basic aim of the economic policy this year is to create the market model of [word indistinct] and within it, stability of prices and money above all, as there can be no stable economic currents without this. Another economic policy aim we planned is the economic dynamics that must be of such a kind that it would not disrupt stability, an improvement of the standard of living, as well as structural changes and economic transformation, that is, ownership transformation.

[Petrovic] In fact, this year's economic policy is anti-inflationary and continues the realization of last year's program and policy.

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[Kontic] Exactly. The main characteristic of the policy is anti-inflationary, which means that it is promoting stability of macroeconomic balance and, within this framework, the strengthening of economic [word indistinct].

[Petrovic] This, if I may say so, version of the economic policy has been made for the period under economic sanctions. As we would all like the sanctions to be lifted as soon as possible, what if this happens?

[Kontic] Exactly. This version of the economic policy is made for the conditions of the present level of sanctions, including these suspensions that the Security Council imposed in conformity with Resolution 943. If sanctions are suspended, a reconsideration of this economic policy will certainly be needed. In any case, we would expect better and more favorable results than those planed now.

[Perovic] Mr. Federal Prime Minister, may I ask you only if you are more of an optimist now than you were yesterday, that is, at this time last year, as regards the implementation of economic policy?

[Kontic] I must admit that I am an optimist by nature. I was an optimist last year and I am an optimist this year again, although the results we plan for this year are, I would say, more difficult than those last year, although this may sound a bit paradoxical. We planned the GNP to be 7 percent higher as against last year. Last year, this was a turnabout and such an aim of 7-percent growth of GNP involves serious structural changes both in production and in many other sectors.

[Petrovic] Thank you very much, Mr. Prime Minister.

[Kontic] Not at all.

Kosovo

Albanian Leadership Against Serb Colonization Law

AU3101152595 Tirana TVSH Television Network in Albanian 1735 GMT 30 Jan 95

[Announcer-read statement by the "Government of the Republic of Kosova" signed by Prime Minister Dr. Bujar Bukoshi; place and date not given]

[FBIS Translated Text] In a public statement, the Government of the Republic of Kosova calls on the international community to stop the Serbian colonization in Kosova. The statement reads:

The Government of the Republic of Kosova expresses its deep distress and indignation over a Serbian law that was issued lately, which was directed toward a massive colonization of Albanian lands in Kosova.

The Government of the Republic of Kosova reminds the Serbian aggressors that it will not allow the colonization to continue, even if this implies other means of stopping it.

The statement further appeals to the international community to exert utmost pressure on Belgrade to stop the adventurous course of this undertaking, so that they do not become accomplices in the ethnic cleansing in a situation that is continuously explosive. The peaceful means for which Albanians have pledged are not a warranty that they will stay calm when confronted with a silent ethnic cleansing. For Albanians in Kosova, there is nothing more precious than their land. Every family member knows that when his land will be taken away, he will soon find himself in a situation of an undesirable refugee in his ethnic territory and will be obliged to abandon it.

The statement of the Government of the Republic of Kosova appeals to all Albanians to defend their territories to the benefit of our future and that of our children. On the other hand, Serbs should know that their actions will not remain without an answer. They will not be allowed to enjoy the comfort of the houses of other people and to get rich at the expense of others.

We want to live in peace with the Serbs in Kosova, the statement continues, and these Belgrade-sponsored actions only damage our good intentions. We offer coexistence in Kosova, but if someone wants to disdain our good will, they will have to bear the responsibility for the consequences that may follow.

The statement calls on the Belgrade authorities to think deeply before embarking on such a dangerous road and appeals to the Serbs in Kosova to use sound reasoning if they do not want to become the instruments of a unjust action. We are of the opinion that it is the last chance to stop these actions as a precondition for starting any mediated dialogue to settle key issues between Prishtina and Belgrade, the statement of the Government of the Republic of Kosova concludes, signed by Prime Minister Dr. Bujar Bukoshi.

Impact of Serb Colonization

AU3101143195 Pristina KOSOVA DAILY REPORT 30 Jan 95 in English No 541

[FBIS Transcribed Text] Albanian Telegraphic Agency (ATA), said in a report from Prishtina, capital of Kosova, that re-colonization of Kosova with Serbs aims at the change of ethnic structure and establishment of a buffer zone along the Kosova-Albania border.

The ATA correspondent writes that Serbian authorities are intent on carrying out the operation for the colonization of Kosova with 100,000 Serbs and to create the buffer zone, inhabited by Serb settlers in the border between Kosova and Albania. Recalling that the colonization campaign has stepped up in the aftermath of a decree of the self-styled Yugoslavia, stipulating provision of housing and job opportunities for those Serbs wishing to settle in Kosova.

The [Serbian] plan is that most of those to be settled in Kosova be "personnel of the military, police and state

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administration of Serbia," ATA said, citing the example of Gjakova district, an area adjacent to Albania with a 99 percent Albanian population, where "a hundred policemen, born in Serbia, who have been maltreating, persecuting and torturing Albanians, are the first colonists."

The ATA feature article quotes reports of Serbian plans to provide 500 plots of land in Gjakova, 500 hundred houses in Degan, while a settlement consisting of 190 houses (built in lands that had belonged to Albanians) has already been constructed in th unik [as received] village (municipality of Degan). Two separate settlements for Serb colonists are reported planned to be constructed at Gllogjan village of Gjakova and Dushanovk village of Prizren, 15 km away from the border with Albania, ATA reports.

The Albanian news agency offers a comprehensive account of Serbian moves towards colonization of Kosova: Two hundred houses are to be provided for Serbs in the Istog municipality, at a time when over 500 Serbs have been settled as refugees in the town of Istog and the neighboring villages: Belice, Osojan, Zace, Gjurakoc, etc. In the Klina municipality (central Kosova) an area of 150 hectares of land has already been allocated to serve as a settlement-to-be for Serb colonists. The Serbian regime has allocated land for 215 plots of land for Serb colonists, at a time when Serbian-appointed authorities have already purchased 40 flats for new Serb colonists, the agency said. Serbian-run administration in the Gjakova municipality have usurped 900 hectares of land of the former "Ereniku" agricultural and processing industries conglomerate—land that had belonged to Albanians till it was confiscated by the Communist regime in 1945—which is due to be 'nationalized' so as to be eventually allocated for Serb colonists, ATA reported.

The agency cited other instances of the Serbian campaign of colonization of Kosova, including steps to construct buildings for Serbs settlers in the capital Prishtina; Two hundred plots of land are planned for Serb colonists at the 'Dragodan' quarter in Prishtina. The Albanian news agency calls the forceful dismissal by the Serbian regime of 130,000 Kosova Albanians from their jobs as a move aimed at ethnic cleansing. Eviction of Albanians from their apartments and relocation of Serbs instead is also included within this rubric.

ATA reminds of the numerous Serbian regimes' campaigns throughout this century to colonize Kosova with Slavic population, by providing for the latter housing, land, and job opportunities. These campaigns have been usually followed by military, paramilitary and police crackdown on the Albanians, ATA says. Ending its feature article, ATA recalls that Kosova was ceded to Serbia and Gamkria to Greece by the Great Powers in 1913.

LDK: 1994 Police Repression of Albanians

AU3101142995 Tirana TVSH Television Network in Albanian 1735 GMT 30 Jan 95

[FBIS Translated Text] The labor section in the Democratic League of Kosova [LDK] branches has drafted a report on the Serbian police repression against the Albanian people in Kosova during 1994.

The report states that, over the past year, the Serbian police carried out 5,407 raids, intervened in institutions 660 times, interrogated 5,026 people in so-called informational talks, plundered 1,526 persons, seized the passports of 777 Albanians, maltreated 3,436 Albanians, held 2,868 Albanians under arrest for up to three days, and initiated legal proceedings against 555 persons. A total of 4,008 citizens were beaten and 263 Albanians were sentenced to prison terms. Some 16 Albanians were killed, 23 wounded, and 305 Albanian refugees returned from Western countries. One hundred and nine Albanian youngsters were forcefully conscripted into the Serbian Army.

The labor section in the LDK branches warns that this report is not complete, because a number of people who have been abused by the Serbian police have not reported to the LDK branches for fear that they may suffer even worse from the Serbian police.

The Kosova Information Center states that this report on the repression against Albanians in Kosova differs from the one by the Prishtina-based Council for the Defense of Human Rights and Freedoms in the fact that the council's organizational activity is not spread all over the Kosova territory.

Serb Refugees Given Homes, Land in Lipljan

AU3101142795 Pristina KOSOVA DAILY REPORT 30 Jan 95 in English No 541

[FBIS Transcribed Text] In accordance with the recent Serbian campaign for a forceful change of ethnic distribution in Kosova and its colonization, sponsored by the government of the so-called Yugoslavia, the Serbian-run municipal administration of Lipjan will be granting apartments and plots of land to Serb settlers, free of charge. Vojislav Denic, head of the Serbian administration in Lipjan told today's Serbian-daily JEDINSTVO that 100 plots of land have been already given to Serbs in the villages of Suvidol, Gracka, and Obrotin.

He also said that last year 20 Serb colonizer families have been settled in the apartments which were built up for them. The newspaper said there are some 400 additional applications for apartments in this municipality. According to Denic, some 500 apartments must be constructed in town, whereas, in the neighborhood of the Golesh and Magura mines, a miners village for Serb refugees, as there is a need for hundreds of miners and mining engineers.

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Vojvodina

New Hungarian Party Formed in Vojvodina

AU3101181895 Budapest UJ MAGYARORSZAG in Hungarian 31 Jan 95 p 3

[Unattributed report: "New Hungarian Party in Vojvodina"]

[FBIS Translated Text] A new Hungarian political party was formed in Vojvodina: The committee that initiated the Vojvodina Hungarian Civic Movement [VMPM] held its first session on 26 January in Zenta [Senta] and the founding congress will probably take place at the end of February.

According to the statement made by the founders, this new organization is needed because the policies of neither the Democratic Union of Vojvodina Hungarians (VMDK) nor the Vojvodina Hungarian Federation (VMSZ) that was set up in spring 1994 are suitable for the Hungarians living in this province.

For four years, the two existing Hungarian political organizations have been conducting futile politics with the current power in connection with making it accept the autonomy, the party's statement of intent says. It also stresses that the VMPM intends to establish the indispensable preconditions necessary for the survival of the Hungarians and their remaining in Vojvodina through peaceful consultations and compromise with the power of the day.

According to the VMPM's statement, the establishment of a civic society and organizing immediate help in the current squalor are some of the party's main goals. The founders began to organize the party six months ago and, according to MTI's information, they believe that the Vojvodina Hungarians do not need autonomy.

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